

## **Appendix 1**

### **THE COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

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**Boston Edison Company )**

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**D.T.E. 98 -118**

#### **APPENDIX TO FINANCING ORDER**

The Department has considered the proposed issuance of electric rate reduction bonds ("RRBs") by Boston Edison Company (together with any legal successors thereto, "Boston Edison") to securitize (as such term is used in G.L. c. 164, §§ 1G and 1H) reimbursable transition costs amounts of approximately \$800 million (the "RRB Transaction") represented by the fixed component, net as of the date of issuance of RRBs, of the transition charge (which includes the net balance of its Pilgrim unrecovered plant balances and related regulatory assets and the unrecovered prefunded balance of its portion of the decommissioning fund being transferred to the buyer in connection with the divestiture of Pilgrim Nuclear Power Station and associated generation assets ("Pilgrim")), the municipal contract customers' portion of such balances, any additional transition costs arising in connection with the Pilgrim divestiture or approved pursuant to any other proceeding in an order that becomes final and no longer subject to appeal prior to the filing with the Securities Exchange Commission ("SEC") of the preliminary prospectus to be distributed to prospective investors (a "Separate Proceeding"), and the

transaction costs of issuing RRBs and providing any credit enhancement as described below (other than approximately 0.50% of the initial principal balance of RRBs to be contributed by the Company as the initial capitalization of each SPE (as defined below)). The principal amount of RRBs is subject to adjustment (which may be significant) based on the timing of the Pilgrim divestiture, additional transition costs in connection with the Pilgrim divestiture or approved pursuant to a Separate Proceeding, prevailing market conditions, input on credit enhancement from nationally recognized statistical rating organizations (the "rating agencies") selected by Boston Edison with the approval of the Massachusetts Development Finance Agency and Massachusetts Health and Educational Facilities Authority (together, the "Agencies") to rate the RRBs, tax authorities and underwriters, or changes in the proposed transaction not now anticipated by Boston Edison. The Department finds the RRB Transaction will result in net savings for the benefit of Boston Edison's customers reflected in lower transition charges than would be required to recover the approved transition costs if this Financing Order was not adopted and otherwise satisfies the requirements of G.L. c. 164, §§ 1G and 1H. Therefore, pursuant to this Financing Order, the Department authorizes the RRB Transaction as described in Boston Edison's Application.

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## **1. STATUTORY AND REGULATORY OVERVIEW**

On November 25, 1997, Governor Cellucci signed into law a comprehensive electric industry restructuring law, Chapter 164 of the Acts of 1997 (the "Act"), which authorizes electric companies to securitize all or a portion of their transition costs through the issuance of RRBs to provide savings to ratepayers.

In the Restructuring Settlement Agreement approved by the Department in D.P.U. Docket No. 96-23 and subsequent filings pursuant thereto (collectively, the "Settlement Agreement"), the Department approved Boston Edison's retail distribution rates, including its transition charge to recover on a fully reconciling basis all of Boston Edison's transition costs which include the reimbursable transition costs amounts being securitized. In either an order issued pursuant to D.T.E. 98-119 (the "Pilgrim Order") or in another Separate Proceeding, the Department has approved Boston Edison's divestiture of Pilgrim, the recovery of the prefunded decommissioning fund being transferred to the

buyer in connection with the divestiture, additional transition costs arising in connection with the divestiture transaction or approved pursuant to a Separate Proceeding, and the costs associated with the L'Energia, Limited Partnership power purchase agreement ("L'Energia") to the extent the Department approves these costs as transition costs in D.T.E 99-16. In accordance with G.L. c. 164, § 1G(d)(3), Boston Edison has completed the divestiture of its non-nuclear generation assets and thus is eligible to benefit from securitization.

Subsequent to the enactment of the Act, Boston Edison, together with other electric companies, has been working with the staffs of the Agencies to develop the structure for the RRB Transaction and the process for approval by the Department. The Agencies have reviewed and commented on the Application, the exhibits thereto and this proposed Financing Order, as updated from the draft Financing Order submitted with the Application as Exhibit BE-1. The Agencies have indicated that the proposed transaction satisfies all statutory and rating agency requirements and that the transaction costs are reasonable.

## 1. RRB TRANSACTION

### 1. Proposed Structure

**Boston Edison has provided a general description of the RRB Transaction structure in its testimony and discovery conducted during the proceedings. This proposed structure is subject to modification, depending upon marketing of RRBs and negotiations with the rating agencies selected by Boston Edison (subject to approval by the Agencies) to assign credit ratings to the RRBs. The final structure will be determined by Boston Edison at the time RRBs are priced, with the approval of the Agencies as provided herein, and after input from the rating agencies, tax authorities and the underwriters.**

**Pursuant to this Financing Order, Boston Edison will securitize a portion of its transition costs (as defined in G.L. c. 164, §§ 1G and 1H), together with the transaction costs of issuing RRBs and providing credit enhancement (including an overcollateralization account, additional capitalization and liquidity reserves, if any). These amounts constitute reimbursable transition costs amounts (as defined in G.L. c. 164, § 1H(a)) and shall be financed through the issuance of notes (the "SPE Debt Securities") and RRBs. The repayment of such amounts shall be effected through the assessment and collection of a portion of Boston Edison's transition charge (the "RTC Charge") from which SPE Debt Securities and RRBs to be issued will be repaid. The transition charge, a component of which will be the RTC Charge, is a separate, nonbypassable charge assessed and collected from all classes of retail users of Boston Edison's distribution system within the geographic service territory as in effect on July 1, 1997, whether or not energy is purchased from Boston Edison or any third party supplier (each, a "TPS"), and whether or not such distribution system is being operated by Boston Edison or a successor distribution company. The transition charge, including the RTC Charge, is a usage-based tariff**

on each retail user's monthly bill and may include in the future any exit fee collected pursuant to G.L. c. 164, § 1G(g) until the Total RRB Payment Requirements (as defined below) are discharged in full.

As described in the Application, the principal asset to be used to support RRBs is transition property (the "Transition Property"). The Transition Property represents a continuously existing property right created pursuant to G.L. c. 164, § 1H, including, without limitation, the right, title, and interest in and to all revenues, collections, claims, payments, money, or proceeds of or arising from or constituting (a) the reimbursable transition costs amounts established by this Financing Order, including such amounts established in an issuance advice letter (the "Issuance Advice Letter"), (b) the RTC Charge authorized by this Financing Order, including the initial RTC Charge set forth in the Issuance Advice Letter, as may be adjusted from time to time in order to generate amounts sufficient to discharge an amount equal to the sum of the Periodic RRB Payment Requirements for the upcoming year, and (c) all rights to obtain periodic adjustments and non-routine adjustments to the RTC Charge. Pursuant to this Financing Order, the Transition Property and the RTC Charges are irrevocable, and cannot be reduced, rescinded, altered, amended or impaired by either the Department (or any successor entity) or The Commonwealth of Massachusetts through its pledge contained in G.L. c. 164, § 1H(b)(3).

Boston Edison will form one or more special purpose entities (each, an "SPE"), each a bankruptcy-remote entity, wholly owned by Boston Edison, and provide the initial capitalization of each SPE (currently estimated to be approximately 0.50% of the initial RRB principal balance). Any other credit enhancement is either part of the periodic adjustment to the RTC Charge or will be included in the principal balance of RRBs. Boston Edison will sell the Transition Property to one or more SPEs in transactions, each of which, under G.L. c. 164, § 1H(f)(1) will be intended and treated, as a legal true sale and absolute transfer to such SPE. Each such SPE will constitute a financing entity for purposes of G.L. c. 164, § 1H.

To raise the funds to pay the purchase price of the Transition Property to Boston Edison, such SPE will issue and sell SPE Debt Securities to a special purpose trust established by the Agencies. Such special purpose trust, which will constitute a financing entity for purposes of G.L. c. 164, § 1H, will sell interests in the SPE Debt Securities by issuing and selling RRBs, the proceeds of which will be remitted to such SPE and ultimately to Boston Edison. All of the assets of such SPE, including, without limitation, the Transition Property and the other collateral of the SPE (the "Other SPE Collateral"), will be pledged as collateral to secure SPE Debt Securities. The Other SPE Collateral will include without limitation, the rights of each SPE under the RRB Transaction documents including the purchase agreement by which each SPE acquires the Transition Property, the servicing agreement (the "Servicing Agreement") by which Boston Edison acts as initial servicer of the Transition Property (the "Servicer") or any successor Servicer, acts as Servicer of the Transition Property, the Administration Agreement (as defined below), the

collection account and any other accounts of such SPE contained in such SPE's collection account including the overcollateralization account and the reserve account, any investment earnings on amounts (other than the earnings on the initial capital contributed by Boston Edison, which earnings are to be returned as a distribution of capital by such SPE to Boston Edison) held by such SPE and the capital of such SPE.

RRBs sold to investors will take the form of pass-through certificates representing undivided beneficial interests in SPE Debt Securities in the manner permitted by G.L. c. 164, § 1H(c). SPE Debt Securities will take the form of notes secured by a first priority statutory lien on all Transition Property as provided in G.L. c. 164, § 1H(e), together with a pledge of the Other SPE Collateral.

It is anticipated that RRBs may be issued in multiple series or classes depending upon market conditions. The longest term RRBs will have expected repayment terms of approximately 11 years, with legal maturities up to 2 years beyond the longest expected repayment term or longer if required by the rating agencies, in accordance with 1H(b)(4)(vi).

#### **1. Recovery of Transition Costs**

G.L. c. 164, § 1H(b)(1) provides that the Department may issue a financing order "to facilitate the provision, recovery, financing, or refinancing of transition costs." Transition costs are "the embedded costs" which are determined to be recoverable through a transition charge pursuant to G.L. c. 164, § 1. In the Settlement Agreement, the Department approved Boston Edison's transition costs and transition charges (referred to as access charges in the Settlement Agreement) which Boston Edison may collect. The Department has further approved, under G.L. c. 164, §§ 1G(e) and H(b)(2), that these transition charges be nonbypassable by ratepayers. The Department can authorize an electric company to securitize reimbursable transition costs amounts, as provided in G.L. c. 164, § 1H. Pursuant to this Financing Order, the Department authorizes Boston Edison's securitization through the RRB Transaction of the reimbursable transition costs amounts recoverable through RTC Charges. Boston Edison currently estimates that the principal amount of RRBs to be issued will be approximately \$800 million as described below subject to adjustment based on the timing of the closing of the Pilgrim divestiture, the actual transaction costs (including any credit enhancement), additional transition costs arising in connection with the Pilgrim divestiture, prevailing market conditions, input from rating agencies, tax authorities and underwriters, or changes in the proposed RRB Transaction not now anticipated by Boston Edison.

##### **1. Fixed Component Transition Costs**

The Department has approved as transition costs in the Settlement Agreement, the Pilgrim Order or pursuant to a Separate Proceeding, the fixed component of Boston

Edison's transition charge (which includes the Pilgrim unrecovered balances, as defined below), the municipal contract customers' portion of such balances, other transition costs, and may approve as additional transition costs the cost of the buyout of the L'Energia power purchase contract (collectively, the "Fixed Component Transition Costs"), presently considered by the Department in D.T.E. 99-16. The "Pilgrim unrecovered balances" include the net balance of the Pilgrim unrecovered plant balances and related regulatory assets and the unrecovered prefunded balance of the decommissioning fund being transferred to the buyer in connection with the Pilgrim divestiture. Pursuant to this Financing Order, the Department approves the Fixed Component Transition Costs as reimbursable transition costs amounts and the right to recover such amounts shall constitute Transition Property.

#### **1. Transaction Costs of Issuance**

In order to issue RRBs to achieve net savings for the benefit of its customers, Boston Edison will incur transaction costs related to issuance of RRBs. G.L. c. 164, § 1H(a) specifically provides that a financing order shall include recovery of the costs of issuing RRBs and defines transition property to include the costs of issuing, servicing and retiring RRBs.

Based on the currently estimated initial offering of \$800 million of RRBs, Boston Edison estimates that such amount will include the transaction costs to be approximately \$36 million which may vary, in part, based on the factors described below. These transaction costs will include, among other items, the underwriting spread, rating agency fees, accounting fees, Securities and Exchange Commission registration fees ("SEC fees"), Department registration fees, printing and marketing expenses, trustees' fees, legal fees, the Agencies' fees, the servicing set-up fee and the administrative cost to set up each SPE. The costs may also include original issue discount and redemption costs including call provisions and prepayments required to reduce existing capitalization of Boston Edison. Certain fees, such as underwriters' spread, rating agency fees, SEC fees, Department registration fees, trustees' fees, Agencies' fees, original issue discount and redemption costs will vary, depending on the actual principal amount of RRBs to be issued, market conditions and the amount of securities to be repurchased to be determined at the time of RRB pricing or the reduction of capitalization. Other fees are based on market rates charged for similar transactions.

The Department authorizes Boston Edison, with approval of the Agencies to the extent provided in the testimony, to recover the transaction costs of issuing RRBs described above out of the proceeds of the RRB Transaction and to include such costs as reimbursable transition costs amounts and the right to recover such amounts shall constitute Transition Property. To the extent prior payment is required, such costs will be paid by Boston Edison and reimbursed from the proceeds of the RRB Transaction.

## **1. Ongoing Transaction Costs**

**The Department approves Boston Edison's recovery of ongoing transaction costs through the RTC Charge. The primary ongoing transaction costs will be the servicing fee (the "Servicing Fee") paid to Boston Edison, as initial servicer (the "Servicer") of the Transition Property, or any successor Servicer and the ongoing cost of credit enhancement.**

**It is anticipated that there will be additional, ongoing costs associated with the RRB Transaction, such as the Administration Fee (as defined below), legal and accounting fees, directors fees, rating agency fees, fees for the trustees, and any indemnity obligations of the SPE in the RRB Transaction documents for SPE officers and directors, trustee fees, liabilities of the special purpose trust, and liabilities to the underwriters related to the underwriting of the RRBs. These costs will also be reimbursable transition costs amounts and will be recovered through the RTC Charge in accordance with G.L. c. 164, § 1H and the right to recover these costs as reimbursable transition costs amounts will constitute Transition Property.**

### **1. RTC Charge**

**To facilitate the RRB Transaction, this Financing Order provides a procedure to establish the RTC Charges necessary to amortize SPE Debt Securities and RRBs in accordance with the expected amortization schedule, and provide for the payment of all ongoing transaction costs associated with the RRB Transaction. The Department understands that the RTC Charge will vary over the life of the RRB Transaction as a result of several factors, including, without limitation, changes in the principal balance of RRBs, changes in the weighted average interest cost of RRBs as the relative principal balance outstanding changes, the impact of the variability of energy sales and changes in payment and charge-off patterns, and changes in ongoing costs of RRBs. Prior to the issuance of RRBs, Boston Edison is authorized to file the Issuance Advice Letter with the Department. The Issuance Advice Letter will confirm the final structure and repayment terms of the RRB Transaction, the total principal amount and pricing of RRBs, and the actual transaction costs. Such filing will also describe the initial RTC Charge associated with the RRB Transaction which will be calculated using the methodology described in Boston Edison's testimony and adopted in this Financing Order. The transition charge will also be adjusted in revised tariffs to reflect the divestiture of Pilgrim and the issuance of RRBs.**

**To confirm that the actual terms of the RRB Transaction will result in savings for ratepayers, the Department will require Boston Edison to provide in the Issuance Advice Letter a calculation of projected savings to ratepayers, using the methodology contained in Boston Edison's testimony, applied to the actual structure and terms of RRBs. So long as the terms and structure result in net savings to Boston Edison's customers in accordance with this approved methodology, Boston Edison is authorized to undertake the RRB Transaction.**



**The RTC Charge for customers established by this Financing Order and calculated using the methodology contained in Boston Edison's testimony, shall become effective automatically when the Issuance Advice Letter is filed. The RTC Charge calculations have been examined and found reasonable and Boston Edison will use the Issuance Advice Letter substantially in the form of Appendix A to this Financing Order.**

**As more fully described in the testimony, Boston Edison, or any successor Servicer, is expected to remit to the trustee of the SPE on a daily basis an amount equal to the actual RTC Charges billed, less an allowance for estimated charge-offs as more fully described in the testimony, on or about the day such amounts are deemed to be collected. The deemed collection date of such amounts will be the weighted average number of days, based on Boston Edison's historical collections experience, that a monthly bill for services remains outstanding before payment. On the basis of these remittances on or about the deemed collection date, collections of RTC Charges will be deemed paid within one calendar month of collection for purposes of G.L. c. 164, § 1H(b)(8). The Servicer then will reconcile such remittances at least once annually for all remittances made in the previous year as more fully described in the testimony. Boston Edison's establishment of the deemed collection date, based on its historical collections experience, and its remittance and reconciliation procedure is an economical and cost effective method of identifying to a useful degree of certainty the actual RTC Charge collections in accordance with the provisions of G.L. c. 164, § 1H(b)(8), given Boston Edison's current accounting and billing information systems capabilities. On each semi-annual payment date for the RRBs, or more frequently depending on market conditions at the time of RRB pricing, the trustee for the SPE will release money from the collection account to a trustee for the special purpose trust appointed under an indenture in connection with the RRB Transaction who will pay interest and principal on RRBs to RRB holders.**

**RTC Charges will be set at a level intended to recover the principal balance of (in accordance with the expected amortization schedule), and interest on, SPE Debt Securities authorized under this Financing Order, together with the costs of servicing SPE Debt Securities and RRBs, including the Servicing Fee, the Administration Fee (as defined below), fees for the trustees, rating agency fees, legal and accounting fees, directors' fees, contingent indemnity obligations in the RRB Transaction documents, other fees and expenses and the cost of creating and maintaining any credit enhancement required for SPE Debt Securities and RRBs (the required periodic payment of such, including deficiencies on past due principal and interest for any reason, the "Periodic RRB Payment Requirement" and collectively, the "Total RRB Payment Requirements"), based on assumptions set forth in the testimony including sales forecasts, payment and charge-off patterns, and lags between RTC Charge billing and collection. RTC Charges shall remain in effect until the owner of the Transition Property has received RTC Charges sufficient to discharge the Total RRB Payment Requirements as described in G.L. c. 164, § 1H(b)(2). Payments on the SPE Debt Securities and RRBs will be semi-annual or more frequent, depending upon market conditions at the time of RRB pricing.**

Under G.L. c. 164, § 1H(b)(6), the right to collect these RTC Charges becomes Transition Property when and to the extent that the Financing Order is entered authorizing such RTC Charges. The amounts of the reimbursable transition costs amounts determined hereby are irrevocable, and the Department or any successor entity does not have authority to, and shall not, rescind, reduce, alter, amend or impair this Financing Order, determine that the reimbursable transition costs amounts or the RTC Charges established hereby are unjust or unreasonable or in any way reduce or impair the value of the Transition Property by taking reimbursable transition costs amounts into account in setting other rates of Boston Edison. Nor shall the amounts of revenues under the RTC Charges be subject to reduction, impairment, postponement or termination. See G.L. c. 164, § 1H(b)(3).

While not separately identified on each retail user's monthly bill, each monthly bill will note that the RTC Charge, as a component of the transition charge, is being collected on behalf of an SPE, as owner of the Transition Property.

#### **1. Periodic Adjustments to the RTC Charge**

Although this Financing Order, the Transition Property and the RTC Charges are each irrevocable, the Department or any successor entity must approve adjustments to the RTC Charge as necessary to ensure timely recovery of all reimbursable transition costs amounts that are the subject of this Financing Order, including the ongoing costs of the RRB Transaction. The Department must establish a procedure for the expeditious approval of periodic adjustments to the RTC Charge. See G.L. c. 164, § 1H(b)(5).

Boston Edison will establish an adjustment mechanism (the "RTC Charge True-Up Mechanism") to periodically adjust the RTC Charge, up or down, to ensure that it remains sufficient to generate an amount equal to the sum of the Periodic RRB Payment Requirements for the upcoming year. Adjustments to the RTC Charge pursuant to the RTC Charge True-Up Mechanism shall include, without limitation, the effect of under estimates of required collections, customer defaults, any contingent obligations of the SPE arising from indemnity provisions in the transaction documents, customers exiting Boston Edison's distribution system and defaults by Servicers in the remittance of collections. Boston Edison proposes to adjust the RTC Charge by the RTC Charge True-Up Mechanism, at least annually, to keep actual principal amortization in line with the expected amortization schedule which is established after the RRBs are priced. The forms of advice letters for periodic RTC Charge True-Ups are substantially in the form of Appendix B to this Financing Order.

Boston Edison shall file periodic RTC Charge True-Up advice letters ("Routine True-Up Letters") annually, prior to the anniversary of this Financing Order, and if necessary, more frequently. In either case, the resulting upward or downward adjustments to the RTC Charge will be effective on the first day of the succeeding calendar month, or such date as may be specified in the Routine True-Up Letter, as

long as such effective date is at least 15 days after the filing of such Routine True-Up Letter. For these adjustments, the adjusted RTC Charge will be calculated using the methodology set forth in Boston Edison's testimony.

Whenever Boston Edison determines that the RTC Charge True-Up Mechanism used to calculate RTC Charge adjustments requires modification to more accurately project and generate adequate revenues, a non-routine RTC Charge True-Up advice letter ("Non-Routine True-Up Letter") may be filed with the resulting adjustments to the RTC Charge (reflecting such modification to the methodology or model) to be effective upon review and approval by the Department within 60 days of such filing.

#### **1. Formation of SPE**

The Department authorizes Boston Edison to form and capitalize one or more SPEs to engage in the RRB transaction as described herein. The Department hereby determines that each SPE constitutes a financing entity, as defined in G.L. c. 164, § 1H(a), which is authorized to acquire the Transition Property. Each SPE will be a Delaware limited liability company, wholly owned by Boston Edison and, if so, may constitute an "affiliated company" under G.L. c. 164, § 85, clause (a) or (b), subject to supervision of the Department in certain respects under G.L. c. 164, §§ 17A and 76A by reason thereof. The Department finds that each SPE is not an "affiliated company" for purposes of clause (c) of the said Section 85.

The fundamental organizational documents of each SPE will impose significant limitations upon the activities of such SPE and the ability of Boston Edison to take actions as the holder of the equity interest therein. For example, each SPE will be formed for the limited purpose of acquiring the Transition Property and Other SPE Collateral and issuing and selling the SPE Debt Securities. It will not be permitted to engage in any other activities, and will have no assets other than the Transition Property and Other SPE Collateral.

Each SPE will be managed by a Management Committee, which will have rights and authority similar to that of a board of directors for a corporation. As long as the SPE Debt Securities and the RRBs remain outstanding, Boston Edison shall be required to cause each SPE to have at least two independent directors. Without the consent of these independent directors, each SPE will be unable (a) to amend provisions of fundamental organizational documents which ensure the bankruptcy-remoteness of such SPE, (b) to institute bankruptcy or insolvency proceedings or to consent to the institution of bankruptcy or insolvency proceedings against it, or (c) to dissolve, liquidate or wind up the Company. Other provisions may also be included to support the bankruptcy-remote character of each SPE as required by the rating agencies.

#### **1. Transition Property**

**Under G.L. c. 164, § 1H(a) of the Act, Transition Property is**

**"the property right created pursuant to G.L. c. 164, § 1H, including, without limitation, the right, title and interest of an electric company or a financing entity to all revenues, collections, payments, money, or proceeds or arising from or constituting reimbursable transition costs amounts which are the subject of a financing order, including those nonbypassable rates and other charges that are authorized by the department in the financing order to recover the transition costs and the costs of providing, recovering, financing, or refinancing the transition costs, including the costs of issuing, servicing, and retiring electric rate reduction bonds."**

**The Transition Property thereafter continuously exists as property for all purposes as provided in this Financing Order, but in any event until any RRBs issued and sold in the RRB Transaction are paid in full. G.L. c. 164, § 1H(b)(6). Transition Property shall constitute property for all purposes whether or not the revenues or proceeds with respect to RTC Charges have accrued. See G.L. c. 164, § 1H(d)(3).**

**The foregoing structural elements, including, without limitation, the legal true sale and absolute transfer of the Transition Property by Boston Edison to an SPE, and the bankruptcy-remote status of such SPE, should enable RRBs to receive a credit rating superior to that of Boston Edison. The Department finds that upon the filing of the Issuance Advice Letter, automatically effective as of such filing, all of the Transition Property identified in the Issuance Advice Letter constitutes a property right and shall thereafter continuously exist as property for all purposes.**

#### **1. Sale of Transition Property to SPE**

**The Department approves the sale by Boston Edison of the Transition Property identified in the Issuance Advice Letter to one or more SPEs in one or more transactions which, under G.L. c. 164, § 1H(f)(1), will be intended, and treated, as a legal true sale and absolute transfer to each SPE, notwithstanding any other characterization for tax, accounting or other purposes. Upon the sale of the Transition Property identified in the Issuance Advice Letter to such SPE, such SPE will have all of the rights originally held by Boston Edison with respect to the Transition Property and Other SPE Collateral, including without limitation, the right to exercise any and all rights and remedies to collect any amounts payable by any customer in respect of the Transition Property and Other SPE Collateral, including the right to authorize the Servicer to shut-off electric power to the extent permitted in accordance with G.L. c. 164, §§ 116, 124-124I and any applicable regulations. Any payment by any such customer to any SPE shall discharge the customer's obligations in respect of such Transition Property to the extent of the payment, notwithstanding any objection or direction to the contrary by Boston Edison, as initial Servicer, or any successor Servicer.**

#### **1. Issuance and Transfer of SPE Debt Securities and Issuance of RRBs**

The Department approves the issuance by one or more SPEs of SPE Debt Securities with the terms to mirror substantially the terms of RRBs, to one or more special purpose trusts formed or otherwise approved by the Agencies and identified in the Issuance Advice Letter. The Department also approves each SPE's pledge of its right, title and interest in and to the Transition Property and Other SPE Collateral as security for SPE Debt Securities. The SPE Debt Securities and RRBs (being undivided beneficial interests in the SPE Debt Securities) will, by their terms, be non-recourse to Boston Edison or its assets, but will be secured by a pledge of all of the right, title and interest of each SPE in its Transition Property and Other SPE Collateral. The Department approves the issuance by such special purpose trust of RRBs on terms substantially described herein and finalized by Boston Edison in the Issuance Advice Letter. To the extent provided in this Financing Order, the final terms and conditions of the SPE Debt Securities and RRBs shall be approved by the Agencies.

Pursuant to G.L. c. 164, § 1H(e), upon the effective date of this Financing Order there shall exist a statutory first priority lien on all Transition Property then existing or thereafter arising pursuant to the terms of this Financing Order. Such lien shall secure all obligations, then existing or subsequently arising, to the holders of RRBs, the trustee or representative for such holders, and each special purpose trust and shall arise by operation of law automatically without any action on the part of Boston Edison or any other person. Such lien shall be valid, perfected, and enforceable upon the effectiveness of the Financing Order without any further public notice. Boston Edison does expect to file a financing statement with respect to the Transition Property which will constitute a protective filing pursuant to G.L. c. 164, § 1H(e).

If the Transition Property subject to this Financing Order is transferred and sold to more than one SPE, any collections in respect of the undivided beneficial interests in RTC Charges related to such Transition Property will be allocated pro rata among such undivided beneficial interests to give effect to the pari passu first priority statutory liens on each SPE's portion of the Transition Property subject to this Financing Order.

#### **1. Nonbypassable RTC Charge**

To ensure credit risks are minimized, it is necessary that the RTC Charge be nonbypassable. Under G.L. c. 164, § 1H(b)(2), "nonbypassable" means the RTC Charge will be assessed and collected from all classes of retail users of Boston Edison's distribution system within the geographic service territory as in effect on July 1, 1997, whether or not energy is purchased from Boston Edison or any TPS, and whether or not such distribution system is being operated by Boston Edison or a successor distribution company.. The RTC Charge is a usage-based component of the transition charge on each retail user's monthly bill and may in the future include a pro rata component of any exit fee collected pursuant to G.L. c. 164, § 1G(g) by

**Boston Edison and any successor distribution company, including any TPS, until the Total RRB Payment Requirements are discharged in full.**

#### **1. RATEPAYER BENEFITS**

**Boston Edison evaluated whether the RRB Transaction would result in net savings to its customers. Based upon the methodology established and approved by the Department in the Settlement Agreement and assumptions set forth in the testimony, Boston Edison estimates the RRB Transaction to result in net savings reflected in lower transition charges to its customers than would be required to recover the approved transition costs if this Financing Order were not adopted. The actual savings and lower transition charges resulting from the RRB Transaction will depend upon the actual amount of RRBs issued, market conditions at the time of RRB pricing, the actual amount of transition costs, the actual amount of transaction costs and the amount of credit enhancement.**

**Based on this evidence, the Department finds that the RRB Transaction will result in savings for customers as is contemplated by the Settlement Agreement and G.L. c. 164, §§ 1G(d)(4) and 1H(b)(2). To confirm this finding after RRB pricing, the Issuance Advice Letter shall include a calculation in accordance with Boston Edison's testimony indicating that, based on the actual structure and pricing terms, the RRB Transaction is expected to result in net savings and such savings will inure to the benefit of Boston Edison's customers.**

#### **1. USE OF PROCEEDS**

**The proceeds from the sale of RRBs will ultimately be remitted to Boston Edison in consideration of Boston Edison's sale of the Transition Property. Boston Edison expects to use such proceeds, net of transaction costs, for one or more of the following purposes: (a) to return the securitized portion of the Pilgrim and fossil unrecovered plant balances and related regulatory assets; (b) to fund the unrecovered prefunded balance of the securitized portion of the decommissioning fund and additional transition costs arising in connection with the Pilgrim divestiture or approved pursuant to another Separate Proceeding; and (c) to provide any credit enhancement required for the RRBs. Boston Edison may apply such proceeds to the reduction of its capitalization and for general corporate purposes.**

#### **1. RELATED ISSUES**

**As Boston Edison describes in its testimony, there are several related issues that have a potentially significant impact on the RRB transaction as described below.**

##### **1. Tax Considerations**

The possibility that the Internal Revenue Service ("IRS") would assess income taxes when this Financing Order is issued or when Boston Edison receives the initial proceeds from SPE Debt Securities, rather than when RTC Charge revenues are collected, is an issue to Boston Edison associated with financing the reimbursable transition costs amounts. In addition to having tax consequences, this would also affect the economics of issuing SPE Debt Securities and RRBs, as the benefits of the RRB Transaction depend in large part on recognizing taxable income in respect of reimbursable transition costs amounts as RTC Charges are paid by customers, rather than it being accelerated into current income upon issuance of SPE Debt Securities.

As a result, on January 19, 1999, Boston Edison submitted a ruling request to the IRS seeking confirmation that (a) the issuance of this Financing Order by the Department will not result in gross income to Boston Edison; (b) the issuance of the SPE Debt Securities and the issuance of RRBs will not result in gross income to Boston Edison; and (c) SPE Debt Securities will be treated as obligations of Boston Edison for tax purposes. An IRS ruling is expected within one month after the issuance of this Financing Order.

If the RRB Transaction results in current income taxation of the proceeds of such transaction, the benefits of the RRB Transaction would be substantially reduced. Should the IRS choose not to provide a ruling, or rule adversely, Boston Edison would have to reassess the RRB Transaction and, if possible, modify it to eliminate the risk of current taxation.

The interest paid to holders of RRBs will be exempt from income taxes imposed in The Commonwealth of Massachusetts but will not be exempt from federal income taxes or taxes imposed in any other state. See G.L. c. 164, § 1H(b)(4)(iii).

## **1. Accounting and Financial Reporting**

The amount financed is expected to be recorded in accordance with generally accepted accounting principles ("GAAP") as long term debt on the balance sheet of each SPE for financial reporting purposes. Boston Edison, each SPE, each special purpose trust and the holders of RRBs will expressly agree pursuant to the terms of the applicable documents to treat SPE Debt Securities as debt of such SPE secured by, among other things, the Transition Property and the Other SPE Collateral for this purpose. Because such SPE will be a wholly owned subsidiary of Boston Edison, it is required that such SPE be consolidated with Boston Edison for financial reporting purposes under GAAP. Therefore, such SPE's debt will appear on the consolidated balance sheet of Boston Edison in its annual and quarterly financial filings to the Securities and Exchange Commission. For purposes of financial reporting to the Department, Boston Edison will exclude such SPE's debt from its capital structure. The RRB Transaction is not expected to impact Boston Edison's credit ratings, as it is expected that the rating agencies will determine that RRBs, which are not supported by Boston Edison's general revenue stream, and not

collateralized by the assets of Boston Edison, do not affect Boston Edison's creditworthiness. Therefore, it is anticipated that the rating agencies will exclude the RRBs as debt for purposes of calculating financial ratios.

## **1. Rating Agency Considerations**

### **1. True-sale Opinion**

Rating agencies will require acceptable opinions of bankruptcy counsel at the time SPE Debt Securities and RRBs are issued for assurance that the Transition Property will be bankruptcy-remote from Boston Edison. To obtain such opinions, the transfer of the Transition Property from Boston Edison to an SPE must constitute a legal "true sale" such that if Boston Edison were to become the subject of a bankruptcy or insolvency case, the Transition Property would not be part of Boston Edison's bankruptcy estate and therefore would not be subject to the claims of Boston Edison's creditors.

G.L. c. 164, § 1H(f)(1) expressly provides that certain transfers of Transition Property as described in G.L. c. 164, § 1H(f)(1) approved in a financing order shall be so treated for all purposes as an absolute transfer and true sale, other than for federal and state income tax purposes. In addition, SPE Debt Securities and RRBs will be non-recourse to Boston Edison and its assets, other than the Transition Property sold to an SPE and the Other SPE Collateral. See G.L. c. 164, § 1H(c)(1).

Another element of the bankruptcy analysis focuses on the separate legal status of Boston Edison and each SPE. Although Boston Edison will wholly own each SPE, the RRB Transaction will be structured so that, in the event of a bankruptcy of Boston Edison, each SPE's separate legal existence would be respected and the assets and liabilities of each SPE would remain separate from the estate of Boston Edison. The structural elements supporting such separate existence include, without limitation, requirements that each SPE be adequately capitalized, that Boston Edison be adequately compensated on an arms-length basis for the servicing functions it performs in billing, collecting and remitting the RTC Charges and that Boston Edison and each SPE take certain steps to ensure that creditors are not misled as to their separate existence. These structural protections are very important because, without such protections, a bankruptcy court might invoke the doctrine of "substantive consolidation" and disregard each SPE's separate existence. Substantive consolidation is an equitable doctrine in bankruptcy cases that allows courts to disregard the separate existence of two or more affiliated entities to ensure the equitable treatment of all creditors and to maximize creditor recoveries. When entities are "substantively consolidated" in a bankruptcy proceeding, their assets and liabilities are pooled, thereby eliminating intercompany claims, and claims of third-party creditors against any of those entities are generally treated as claims against the common pool of assets created by consolidation.

### **1. Credit Enhancement**



Credit enhancements are mechanisms that provide investors with added assurance that they will recover their investment. Examples of credit enhancement provided by the seller of transition property or from proceeds of the RRBs include the initial capitalization of each SPE, true-up mechanisms, overcollateralization amounts and liquidity reserves. It is expected that the RRB Transaction will incorporate the RTC Charge True-Up Mechanism authorized by G.L. c. 164, § 1H(b)(5) as described above and overcollateralization amounts or other means of credit enhancement as required by the rating agencies or taxing authorities.

The purpose of the overcollateralization amount is to provide security to investors and to enhance the credit rating of RRBs by providing an additional amount to cover shortfalls in RTC Charge collections. As a result, the RTC Charge will be set to collect an overcollateralization amount over time in addition to the principal balance of (in accordance with the expected amortization schedule), and interest on (including deficiencies on past due principal and interest for any reason), SPE Debt Securities authorized under this Financing Order, together with the costs of servicing SPE Debt Securities and RRBs, including the Servicing Fee, the Administration Fee, fees for the trustees, rating agency fees, legal and accounting fees, directors' fees, contingent liabilities of the SPE arising from indemnity obligations in the RRB Transaction documents, other fees and expenses required for SPE Debt Securities and RRBs. The overcollateralization amount needed to satisfy the rating agencies will be determined by Boston Edison, subject to approval by the Agencies, with input from the rating agencies and tax authorities prior to the time RRBs are priced. As with other components of the RTC Charge, the overcollateralization component, any deficiencies in the capital account and any excess in the reserve account will be incorporated into each periodic adjustment to the extent necessary using the RTC Charge True-Up Mechanism adopted in this Financing Order, in accordance with Section 1H(b)(7).

Retail customers obligated to pay the RTC Charge in their rates should receive credit equal to the amount of any overcollateralization and any investment earnings thereon (other than the earnings on the initial capital contributed by Boston Edison to the SPE, which earnings will be returned as a distribution of capital by the SPE to Boston Edison) not used to discharge the Total RRB Payment Requirements. As a result, overcollateralization will not reduce customer benefits from the RRB Transaction.

### **1. Sequestration**

The Department agrees that, in the event of a default by Boston Edison or any successor Servicer in payment of the RTC Charges to an SPE, the Department will, upon application by (1) the holders of RRBs or the trustee for the special purpose trust, (2) such SPE or its assignees or (3) pledgees or transferees of the Transition Property and Other SPE Collateral, order the sequestration and payment to or for the benefit of such SPE or such other party of revenues arising with respect to the Transition Property and Other SPE Collateral. This will provide additional

certainty that the RTC Charges will benefit the owner of the Transition Property, and should serve to enhance the credit quality of RRBs.

### **1. Third Party Supplier Concerns**

Each TPS, if any, shall comply with the billing, collection and remittance procedures and information access requirements set forth in Boston Edison's testimony, or such other policies or procedures as the rating agencies may require. Billing, collection and remittance of RTC Charges by a TPS may increase the risk of shortfalls in RTC Charge collections by exposing the cashflow to potential interruption due to the default, bankruptcy or insolvency of the TPS. This risk of interruption will increase risks to investors, potentially reducing the credit rating and increasing the rate of interest on RRBs that would be required by investors. Such TPS billing may increase the RTC Charge component of the transition charge resulting from such interruption or delay in payment. Therefore, the Department approves such procedures.

### **1. Allocation of Collection Shortfalls**

In order to preserve the bankruptcy-remote status of the Transition Property and Other SPE Collateral once it is transferred to each SPE, Boston Edison cannot have any claim on the RTC Charges. In its capacity as Servicer, Boston Edison will bill RTC Charges along with other charges for services rendered to customers obligated to pay such charges. If Boston Edison collects less than the full amount that is billed to such customers, it is not permitted to favor itself over each SPE, as owner of the Transition Property. In accordance with M.G.L. c. 164, § 1H(b)(1), this Financing Order requires that upon the issuance of RRBs, transition charges collected shall be allocated first to transition property and second to transition charges, if any, that are not subject to this or any other financing order.

In the event that more than one SPE issues SPE Debt Securities in respect of transition property created under this Financing Order or subsequent financing orders, any payment which is not sufficient to pay all RTC Charges imposed on the ratepayer will be allocated pro rata among each SPE based on the relative size of each SPE's undivided beneficial interest in the transition property. The Department approves of such allocation because such proceeds of the transition property created by this Financing Order and subsequent financing orders constitute a fungible fund consisting of non-identifiable proceeds of such portions of the transition property, each of which has the benefit of first priority contractual and statutory liens. A pro rata allocation among these pari passu interests and liens on each SPE's portion of such transition property is therefore appropriate.

As described earlier, it is expected that Boston Edison, or any successor Servicer, will remit to the SPE trustee on a daily basis, an amount equal to the actual RTC Charges billed, less an allowance for estimated charge-offs, on or about the day such amounts are deemed to be collected. Boston Edison's allowance for estimated RTC

Charge charge-offs is its system-wide allowance for charge-offs, adjusted to take into consideration estimates of partially paid bills. Given the relative size of the RTC Charge to the overall tariff rates for services, partially paid bills are deemed to have satisfied the RTC Charge amount in full. Boston Edison will reconcile such remittances at least once annually for all remittances made in the previous year with the SPE trustee to more accurately reflect the amount of RTC Charges that should have been remitted, based on the actual system-wide charge-off percentage, which is adjusted again for estimates of partially paid bills. The Department approves Boston Edison's remittance procedure, with estimated charge-offs relating to RTC Charges and reconciliation of remittances, and finds that such remittance procedure, based on Boston Edison's accounting and billing information systems capabilities, is an economical and cost effective method of identifying to a useful degree of certainty the actual RTC Charge collections and complies with the provisions of G.L. c. 164, § 1H(b)(1).

### **1. Servicing**

To the extent that any interest in Transition Property is transferred by Boston Edison to one or more SPEs, the Department authorizes Boston Edison to enter into a Servicing Agreement, in accordance with G.L. c. 164, § 1H(c)(3), with one or more SPEs to perform servicing functions on behalf of each SPE. Pursuant to the Servicing Agreement with each SPE, Boston Edison will act as Servicer of the Transition Property. Boston Edison will be responsible for customer kWh billing and usage information, and for billing, collecting and remitting the RTC Charges as described earlier and in the testimony. The Department authorizes Boston Edison to contract with each SPE to collect amounts in respect of the RTC Charges for the benefit and account of such SPE, and to account for and remit these amounts to or for the account of such SPE. The Servicing Agreement will provide that Boston Edison, as initial Servicer, may not voluntarily resign its duties as Servicer without obtaining the prior approval of the Department, or if such resignation will result in the reduction or withdrawal of the credit ratings of RRBs.

In order to support each SPE's legal status separate and apart from Boston Edison, the Servicing Fee paid to Boston Edison must be market-based. The annual Servicing Fee, payable semi-annually or more frequently, will be a part of the Servicing Agreement and will be based upon a percentage of the initial principal balance of RRBs and will be included in the reimbursable transition costs constituting Transition Property that is sold to an SPE. The Servicing Fee represents a reasonable good faith estimate of an arm's length, market-based fee for servicing RRBs. Such servicing responsibilities include without limitation, billing, monitoring, collecting and remitting RTC Charges, systems modifications to bill, monitor, collect and remit RTC Charges, reporting requirements imposed by the Servicing Agreement, procedures required to coordinate with each TPS, required audits related to Boston Edison's role as Servicer, and legal and accounting functions related to the servicing obligation. The Servicing Fee paid to Boston Edison will be lower than the Servicing Fee paid to a successor Servicer that does

not concurrently bill the RTC Charge with charges for other services to reflect the higher costs related thereto.

**1. Accounting for Certain Benefits.**

Any amounts accounted for in the reserve account, which represents collections in excess of the fully funded credit enhancement reserves, at the time that Boston Edison calculates a periodic RTC Charge adjustment will be incorporated in such adjustment, in accordance with G.L. c. 164, § 1H(b)(7). Boston Edison, as initial Servicer (or any successor Servicer) intends, through a separate non-cash memorandum account, to account for, and ultimately credit to ratepayers, any amounts remaining in the collection account after the RRBs are paid in full, such as any overcollateralization amounts, including interest earnings thereon, or RTC Charge collections that remain after the Total RRB Payment Requirements have been discharged. Such amounts will be released to the SPE in accordance with G.L. c. 164, § 1H(b)(7), upon retirement of the RRBs and discharge of the Total RRB Payment Requirements. These benefits will inure to the benefit of ratepayers through a credit to their transition charge, or if there is no transition charge, through a credit to other rates.

**1. SPE Administration and Other Transactions with each SPE.**

Because each SPE will be a special-purpose, bankruptcy-remote entity with limited business activities, it is anticipated that each SPE will need to enter into an administration agreement (the "Administration Agreement") with Boston Edison pursuant to which Boston Edison shall perform ministerial services and provide facilities for each SPE to ensure that it is able to perform such day-to-day operations as are necessary to maintain its existence and perform its obligations under the RRB Transaction documents. The Administration Agreement incorporates provisions to ensure that Boston Edison will be paid a fee (the "Administration Fee") in an amount commensurate with its costs of performing such services and providing such facilities.

The Department authorizes Boston Edison to enter into the Administration Agreement and other agreements as well as any other transactions with one or more SPEs as may be necessary to carry out the RRB Transaction.

**FINDINGS**

- 1. In the Settlement Agreement and subsequent filings pursuant thereto, the Department approved Boston Edison's retail distribution rates, including its transition charge, to recover on a fully reconciling basis all of Boston Edison's transition costs, including the reimbursable transition costs amounts being securitized.**

- 2. Boston Edison currently has a carrying charge of 10.88% as approved in the Settlement Agreement, Section 1.7(b) of Attachment 3 (adjusted for changes in the federal and state tax rates) and applicable to all of Boston Edison's transition costs that are subject to a carrying charge.**
- 3. The actual amounts of the Fixed Component Transition Costs were approved as transition costs by the Department either in the Pilgrim Order, pursuant to the Settlement Agreement or approved pursuant to any other proceeding in an order that becomes final and no longer subject to appeal prior to the filing, with the Securities Exchange Commission ("SEC"), of the preliminary prospectus to be distributed to prospective investors (a "Separate Proceeding").**
- 4. Pursuant to the Settlement Agreement and the Pilgrim Order, the actual amounts of the Pilgrim and fossil unrecovered plant balances, generation related regulatory asset balances, Pilgrim decommissioning funding, the cost associated with the buyout of the L'Energia, Limited Partnership ("L'Energia") power purchase agreement (to the extent approved by the Department in D.T.E. 99-16) and any additional transition costs arising in connection with the Pilgrim divestiture or approved pursuant to a Separate Proceeding have been approved by the Department and determined to be actual and fully mitigated for purposes of G.L. c. 164, § 1G(a). No audit of such amounts for purposes of G.L. c. 164, § 1G(a) is necessary. Pursuant to this Financing Order, the actual amounts of the transaction costs of issuance (other than the costs of reducing capitalization) and ongoing transaction costs (other than legal and accounting fees and other miscellaneous fees), each of which will be set forth in the Issuance Advice Letter and fixed at the time of RRB pricing, are hereby approved by the Department and determined as actual for purposes of G.L. c. 164, § 1G(a), and no audit of such amounts for purposes of G.L. c. 164, § 1G(a) is necessary.**
- 5. This Financing Order approves as reimbursable transition costs amounts the Fixed Component Transition Costs, any transition costs approved in a Separate Proceeding including the buyout of the L'Energia power purchase contract, the transaction costs of issuance, the ongoing transaction costs and the cost of any credit enhancement associated with the RRB Transaction.**
- 6. Boston Edison has or will have proved to the Department's satisfaction that it has fully mitigated the transition costs sought to be securitized by Boston Edison pursuant to this Financing Order for purposes of G.L. c. 164, § 1G(d)(4)(i). Boston Edison has complied with G.L. c. 164, § 1G(d)(1), which**

requires an electric company to take all reasonable steps to mitigate to the maximum extent possible the total amount of transition costs the Company seeks to recover through securitization.

7. The amount of SPE Debt Securities and RRBs to be issued as described in Boston Edison's Application and testimony is reasonable.
8. The amount of necessary credit enhancement and any necessary adjustments thereto as described in Boston Edison's testimony or required by the rating agencies or tax authorities is reasonable.
9. So long as the effective all-in-cost of RRBs is less than 10.88%, the RRB Transaction approved by this Financing Order will result in net savings to Boston Edison's customers in compliance with G.L. c. 164, § 1G(d)(4)(ii). The net savings will be reflected in lower transition charges to Boston Edison's customers than would otherwise be required to recover the approved transition costs if the RRB Transaction did not occur in accordance with G.L. c. 164, § 1H(b)(2). The methodology to calculate savings described in the testimony implements Section 1.7(b) of Attachment 3 to the Settlement Agreement. All such savings will inure to the benefit of its ratepayers as demonstrated in such testimony in compliance with G.L. c. 164, § 1G(d)(4)(iii). Such savings to ratepayers will result regardless of the amount of reimbursable transition costs amounts being securitized or the initial principal balance of RRBs.
10. Boston Edison, to the satisfaction and approval of the Department, has established an order of preference as described in its testimony such that the transition costs having the greatest impact on customer rates will be the first to be reduced by securitization in compliance with G.L. c. 164, § 1G(d)(4)(iv).
11. In the event one or more SPEs issues SPE Debt Securities in respect of transition property created under this Financing Order or subsequent financing orders, such proceeds of the transition property created by this Financing Order and any subsequent financing orders constitutes a fungible fund consisting of non-identifiable proceeds of such portions of the transition property, each of which has the benefit of first priority contractual and statutory liens. A pro rata allocation among these pari passu interests and liens on each SPE's portion of such transition property is reasonable in accordance with G.L. c. 164, § 1H(b)(1).

- 12. The proposed structure of the RRB Transaction contemplates that RTC Charge remittances will be paid over to the SPE trustee daily, on or about the deemed collection date.**
- 13. The Department finds that Boston Edison's methodology for calculating the deemed collection date of RTC Charges is an economical and cost effective method of identifying to a useful degree of certainty the actual RTC Charge collections in accordance with the provisions of G.L. c. 164, § 1H(b)(8) based upon Boston Edison's accounting and billing information systems capabilities and finds that RTC Charges are deemed to be paid within one calendar month of collection.**
- 14. Boston Edison's procedure of remitting to the SPE trustee actual RTC Charges billed less an allowance for estimated charge-offs as described in the testimony, along with a periodic reconciliation of such remittances as described in the testimony, is an economical and cost effective method of identifying to a useful degree of certainty the actual RTC Charge collections and complying with G.L. c. 164, §§ 1H(b)(1) and 1H(b)(8).**
- 15. The RTC Charge billing, collection and remittance procedures imposed upon any successor Servicer and any TPS as set forth in Boston Edison's testimony are reasonable.**
- 16. In accordance with G.L. c. 164, § 1H(b)(2), the owner of the Transition Property will have the right to recover an aggregate amount equal to the Total RRB Payment Requirements until such amounts have been discharged in full through continued assessment, collection and remittance of RTC Charges from all classes of retail users of Boston Edison's distribution system within the geographic service territory as in effect on July 1, 1997, whether or not energy is purchased from Boston Edison or any TPS, and whether or not such distribution system is being operated by Boston Edison or a successor distribution company. The RTC Charge will be a usage-based component of retail users' monthly transition charge and may in the future include a pro rata component of any exit fee collected pursuant to G.L. c. 164, § 1G(g).**
- 17. The methodology used to calculate the RTC Charge associated with the RRB Transaction and the periodic adjustments thereto as described in Boston Edison's testimony is reasonable and complies with G.L. c. 164, § 1H(b)(5).**
- 18. Boston Edison's plan to account through a non-cash memorandum account, and ultimately credit ratepayers, for amounts remaining in the collection account after the RRBs are paid in full is reasonable and in compliance with G.L. c. 164, § 1H(b)(7).**

- 19. The sale of the Transition Property by Boston Edison to an SPE shall be treated as an absolute transfer of all of Boston Edison's right, title, and interest, as in a legal true sale, and not as a pledge or other financing, of the Transition Property, in each case notwithstanding the following, which are hereby determined not to effect such absolute transfer and legal true sale: (i) any contrary treatment of such transfer for accounting, tax or other purposes, (ii) certain indemnities (including mandatory redemption or repurchase obligations related thereto) provided for in SPE Debt Securities or in the transaction documents which do not constitute recourse in violation of G.L. c. 164, § 1H(c)(1), (iii) Boston Edison's continued collection of RTC Charges pursuant to the Servicing Agreement authorized by this Financing Order, or (iv) Boston Edison's providing any credit enhancement to such SPE as described in the testimony.**
- 20. SPE Debt Securities and RRBs will be non-recourse to Boston Edison and its assets, but will be secured by a pledge of all right, title and interest of each SPE in its Transition Property and Other SPE Collateral in accordance with G.L. c. 164, § 1H(c)(1), (2).**
- 21. The formation of one or more SPEs by Boston Edison, the capitalization of each SPE by Boston Edison with an amount equal to approximately 0.50% of the initial principal balance of the RRBs, and entering into the Servicing Agreement, the Administration Agreement, other agreements and transactions by Boston Edison and each SPE are necessary for the consummation of the RRB Transaction.**
- 22. Pursuant to G.L. c. 164, § 1H(b)(3), the Commonwealth has pledged and agreed that it shall not: (i) alter the provisions of G.L. c.164 which make the RTC Charge imposed by this Financing Order irrevocable and binding or (ii) limit or alter the reimbursable transition costs amounts, Transition Property, Financing Order, and all rights thereunder until the RRBs, together with the interest thereon, are fully discharged.**
- 23. Pursuant to G.L. § 1H(b)(3), the Transition Property created by and subject to this Financing Order, and the RTC Charge authorized hereby shall be irrevocable, and the Department (or any successor thereto) does not have authority to revalue or revise for ratemaking purposes the reimbursable transition costs amounts, or determine that the reimbursable transition costs amounts or the RTC Charge is unjust or unreasonable, or in any way reduce or impair the value of the Transition Property either directly or indirectly by taking into account the RTC Charge when setting rates for Boston Edison, nor should the amount of revenues arising with respect thereto be**



subject to reduction, impairment, postponement, or termination.

24. Except to the extent that such matters are provided for in collective bargaining agreements or asset purchase agreements negotiated prior to the effective date of the Restructuring Act, or amendments to such previously negotiated asset purchase agreements, Boston Edison has obtained written commitments that purchasers of its divested operations will offer employment to the impacted employees who were employed in non-managerial positions to provide services for the divested operations at any time during the three month period prior to the divestiture, at levels of wages and overall compensation no lower than the employees' prior levels in compliance with G.L. c. 164, § 1G(d)(4)(iv).
25. The Department has received full and satisfactory documentation that with respect to this Financing Order, Boston Edison has proved to the Department's satisfaction that it has complied with each requirement of G.L. c. 164, § 1G(d)(4) and each other requirement of G.L. c. 164, §§ 1G and 1H.
26. Boston Edison has satisfied the requirements of G.L. c. 59, § 38H(c).<sup>(1)</sup>
27. The annual Servicing Fee, payable semi-annually or more frequently, is a reasonable good faith estimate of an arms-length, market-based fee for servicing RRBs pursuant to the Servicing Agreement, as described in Boston Edison's testimony.
28. The Department finds that each SPE formed by Boston Edison in connection with the RRB Transaction is not an "affiliated company" for purposes of clause (c) of G.L. c. 164, § 85.
29. The Settlement Agreement in Section 2.9(g) of Attachment 3 provides that Boston Edison's transition charge shall not exceed 3.51 cents/kWh in 1998 or 3.35 cents/kWh in later years.
30. The Department finds that in the event that an audit pursuant to G.L. c. 164, § 1G(a)(2) results in excess reimbursable transition costs amounts, Boston Edison's providing a uniform rate credit through a residual value credit to its ratepayers rather than remitting payment to a financing entity with respect to such excess is reasonable.
31. The Department finds an exemption from the competitive bidding requirements of G.L. c. 164, § 15 in connection with the sale of RRBs is in the public interest.
32. The Department finds an exemption from the par value debt issuance requirements of G.L. c. 164, § 15A is in the public interest.

- 33. The Department finds that to the extent that Boston Edison securitizes more than 75% of the decommissioning trust fund being transferred to Entergy at closing pursuant to this Financing Order, the securitization of such amount does not constitute a subsidy or benefit to any electric company or the customers thereof other than Boston Edison and its customers.**
- 34. The Department's review and approval of the Settlement Agreement in D.P.U. Docket No. 96-23 satisfies the audit requirement under G.L. c. 164, § 1G(a)(1).**
- 35. Upon completion of the fossil divestiture, Boston Edison completed the divestiture of all non-nuclear generation assets as required by G.L. c. 164, § 1G(d)(3).**
- 36. The RRBs will be used to pay for mitigated transition costs related to G.L. c. 164, § 1G(b), in accordance with G.L. c. 164, § 1H(b)(4)(iv). To the extent the Department has approved or will approve the recovery of any transition costs, including the Fixed Component Transition Costs and the buyout of the L'Energia power purchase contract, these costs constitute mitigated transition costs.**
- 37. The Agencies have reviewed the Company's Application and this Financing Order and have indicated that the RRB Transaction satisfies all statutory requirements and contains provisions that should permit the RRBs to achieve the highest feasible credit ratings. The Agencies have indicated that they are not aware of any provision in the revised Financing Order beyond that required for the necessary legal opinions or which exceeds the requirements of the rating agencies in prior RRB transactions. The Agencies have also indicated that the estimated transaction costs as described in Boston Edison's testimony are reasonable and that they will also approve certain costs incurred after issuance of the Financing Order, but before the pricing of the RRBs.**
- 38. The final terms and conditions of SPE Debt Securities and RRBs, including the schedule of principal amortization, credit enhancement, the frequency of principal or interest payments, the interest rates on SPE Debt Securities and RRBs, and manner of setting such interest rates (fixed or variable), the manner of sale of the RRBs, the number and determination of credit ratings and the approval of final transaction documents, will, to the extent consistent with the provisions of this Financing Order, be determined by Boston Edison and approved by the Agencies on behalf of the special purpose trust at the time RRBs are priced and after input from the rating agencies, tax authorities and the underwriters.**

## **ORDERS**

1. The Application of Boston Edison Company (together with any legal successors thereto, "Boston Edison") for this Financing Order pursuant to G.L. c. 164, § 1H is approved subject to the terms and conditions stated in the following paragraphs.
2. The findings included in the introduction to this Financing Order are adopted as findings by the Department and made a part of this Financing Order.

**Creation of Transition Property and Reimbursable Transition Costs Amounts**

1. Boston Edison is authorized to finance an aggregate total principal amount equal to the amount required to provide, recover, finance or refinance a portion of Boston Edison's transition costs (as defined in G.L. c. 164, §§ 1G and 1H) represented by the fixed component, net as of the date of issuance of RRBs, of Boston Edison's transition charge (which includes the net balance of its Pilgrim unrecovered plant balances and related regulatory assets and the unrecovered prefunded balance of its portion of the decommissioning fund being transferred to the buyer in connection with the divestiture of Pilgrim Nuclear Power Station and associated generation assets ("Pilgrim")), the municipal contract customers' portion of such balances, any additional transition costs arising in connection with the Pilgrim divestiture or approved pursuant to any other proceeding in an order by the Department that becomes final and no longer subject to appeal prior to the filing with the Securities Exchange Commission ("SEC") of the preliminary prospectus to be distributed to prospective investors (a "Separate Proceeding"), the transaction costs of issuing (as described in the testimony) the notes ("SPE Debt Securities") of one or more SPEs (as defined below) and the electric rate reduction bonds ("RRBs") and providing credit enhancement (as hereinafter described, other than approximately 0.50% of the initial principal balance of RRBs to be contributed by Boston Edison as the initial capitalization of each SPE (as defined below)). These amounts constitute reimbursable transition costs amounts (as defined in G.L. c. 164, § 1H(a)) and shall be financed through the issuance of SPE Debt Securities and RRBs (the "RRB Transaction"). Boston Edison currently estimates that the principal amount of RRBs to be issued will be \$800 million, subject to adjustment (which may be significant) based on the timing of the Pilgrim divestiture, additional transition costs in

connection with the Pilgrim divestiture or approved pursuant to a Separate Proceeding, prevailing market conditions, input on credit enhancement from nationally recognized statistical rating organizations (the "rating agencies") selected by Boston Edison with the approval of the Massachusetts Development Finance Agency and Massachusetts Health and Educational Facilities Authority (together, the "Agencies") to rate the RRBs, tax authorities and underwriters, or changes in the proposed transaction not now anticipated by Boston Edison. The repayment of such amounts shall be effected through the assessment and collection of a portion of Boston Edison's transition charge (the "RTC Charge") from which SPE Debt Securities and RRBs to be issued will be repaid.

2. The actual amounts of the fixed component of Boston Edison's transition charge (which includes the Pilgrim unrecovered balances, as defined below), the municipal contract customers' portion of such balances and other transition costs (collectively, the "Fixed Component Transition Costs"), have been approved by the Department as transition costs in Boston Edison's Restructuring Settlement Agreement, D.P.U. Docket No. 96-23 and subsequent filings with the Department pursuant thereto (collectively, the "Settlement Agreement"), an order issued in connection with D.T.E. 98-119 (the "Pilgrim Order"), or in any other Separate Proceeding and the costs associated with the L'Energia, Limited Partnership power purchase agreement ("L'Energia") to the extent the Department approves these costs as transition costs in D.T.E. 99-16. Such transition costs, together with the transaction costs of issuing RRBs, the ongoing transaction costs and the provision of credit enhancement (other than Boston Edison's initial capital contribution), represent the reimbursable transition costs amounts subject to this Financing Order. The "Pilgrim unrecovered balances" include the net balance of Pilgrim unrecovered plant balances and related regulatory assets and the unrecovered prefunded balance of the decommissioning fund in connection with the divestiture of Pilgrim.
3. In the Settlement Agreement, the Department previously approved Boston Edison's retail distribution rates, including its transition charge (referred to as an "access charge" in the Settlement Agreement) to recover on a fully reconciling basis all of Boston Edison's transition costs (including the reimbursable transition costs amounts being securitized), the methodology to determine if savings will result from the RRB Transaction, the application of a carrying charge of 10.88% to all unrecovered transition costs and the amount of Boston

Edison's transition charge, and such approval is hereby reaffirmed by the Department.

4. The transition charge, a component of which will be the RTC Charge, shall be assessed and collected from all classes of retail users of Boston Edison's distribution system within the geographic service territory as in effect on July 1, 1997, whether or not energy is purchased from Boston Edison or any TPS, and whether or not such distribution system is being operated by Boston Edison or a successor distribution company. The transition charge, including the RTC Charge, is a usage-based tariff on each retail user's monthly bill and may in the future include any exit fee collected pursuant to G.L. c. 164, § 1G(g). The RTC Charge will be sufficient in the aggregate to pay the principal balance of (in accordance with the expected amortization schedule), and interest on, SPE Debt Securities authorized for issuance pursuant to this Financing Order, together with the costs of servicing SPE Debt Securities and RRBs (including the Servicing Fee, trustee fees, rating agency fees, administration fees, contingent indemnity obligations in the RRB Transaction documents (as described below) and other fees and expenses) and the cost to Boston Edison of creating and maintaining any credit enhancement required for SPE Debt Securities and RRBs (the required periodic payment of such, including deficiencies on past due principal and interest for any reason, a "Periodic RRB Payment Requirement" and collectively, the "Total RRB Payment Requirements").
5. As of the effective date of this Financing Order, there is created and established for the benefit of Boston Edison (or any assignee in accordance with the terms hereof) Transition Property which represents a continuously existing property right created pursuant to G.L. c. 164, § 1H, including, without limitation, the right, title, and interest in and to all revenues, collections, claims, payments, money, or proceeds of or arising from or constituting (a) the reimbursable transition costs amounts established by this Financing Order including such amounts established in the Issuance Advice Letter, (b) the RTC Charge authorized by this Financing Order including the initial RTC Charge set forth in the Issuance Advice Letter as may be adjusted from time to time in order to generate amounts sufficient to discharge an amount equal to the sum of the Periodic RRB Payment Requirements for the upcoming year as authorized by paragraph 6 of this Financing Order, and (c) all rights to obtain periodic adjustments and non-routine adjustments to the RTC Charge.

6. The RRB Transaction will result in net savings for Boston Edison customers reflected in lower transition charges than Boston Edison's customers would have paid if this Financing Order were not adopted, in accordance with G.L. c. 164, § 1H(b)(2).
7. Boston Edison has proved to the Department's satisfaction that in accordance with G.L. c. 164, § 1G(d)(4): (i) Boston Edison has fully mitigated the transition costs related to this Financing Order; (ii) savings to Boston Edison's customers will result from the RRB Transaction; (iii) all such savings derived from the RRB Transaction shall inure to the benefit of Boston Edison's customers; (iv) Boston Edison has obtained written commitments that purchasers of divested operations will offer employment to impacted employees; and (v) Boston Edison has established, with the approval of the Department, an order of preference such that transition costs having the greatest impact on customer rates will be the first to be provided, recovered, financed or refinanced by the RRB Transaction.

#### **Establishment of SPE**

1. The establishment by Boston Edison of one or more wholly owned special purpose entities (each, an "SPE") described in the testimony to which the Transition Property subject to this Financing Order is to be sold is authorized pursuant to G.L. c. 164, §§ 17A and 76A, and in accordance with all applicable Massachusetts law, rules and regulations.
2. The capitalization by Boston Edison of each SPE with approximately 0.50% of the initial principal balance of RRBs, subject to prevailing market conditions at the time of RRB pricing, is authorized pursuant to G.L. c. 164, §§ 17A and 76A, and in accordance with all applicable Massachusetts law, rules and regulations. Any other credit enhancement is either part of the periodic adjustment to the RTC Charge or will be included in the principal balance of RRBs.

#### **Sale of Transition Property**

1. In accordance with G.L. c. 164, § 1H(c)(2), Boston Edison is authorized to sell or assign all of its interest in Transition Property that arises from this Financing Order to one or more SPEs. Each SPE is authorized to acquire the Transition Property and is designated as a "financing entity" (as defined in G.L. c. 164, § 1H(a)) for such purpose, and for the purpose of pledging such Transition Property (and such other assets of

such SPE as are pledged under the transaction documents) to the payment of SPE Debt Securities and RRBs.

2. Upon the sale by Boston Edison of the Transition Property to each SPE as described in paragraph 15 of this Financing Order, (i) such SPE shall have all of the rights originally held by Boston Edison with respect to such Transition Property, including, without limitation, the right to exercise any and all rights and remedies, including the right to authorize the Servicer to shut-off electric power to the extent permitted by G.L. c. 164, §§ 116, 124-124I and applicable regulations, to assess and collect any amounts payable by any customer in respect of such Transition Property, notwithstanding any objection or direction to the contrary by Boston Edison, as initial servicer (the "Servicer"), or any successor Servicer, and (ii) any payment by any customer to such SPE shall discharge such customer's obligations in respect of such Transition Property to the extent of such payment, notwithstanding any objection or direction to the contrary by the Servicer.
3. Upon the sale by Boston Edison of the Transition Property to an SPE, Boston Edison or any successor Servicer shall not be entitled to recover RTC Charges other than for the benefit of the holders of SPE Debt Securities and the related RRBs in accordance with Boston Edison's duties as Servicer of such Transition Property as authorized in paragraphs 33 *et seq.* of this Financing Order.
4. The sale by Boston Edison of the Transition Property to an SPE in accordance with G.L. c. 164, § 1H(f)(1) and in a manner described in such section shall be treated as an absolute transfer of all of Boston Edison's rights, title and interest, as a legal true sale, and not as a pledge or other financing, of the Transition Property, in each case notwithstanding the following, which are hereby determined not to effect such absolute transfer and legal true sale: (i) any contrary treatment of such transfer for accounting, tax or other purposes, (ii) certain indemnities (including mandatory redemption or repurchase obligations related thereto) provided for in SPE Debt Securities or in the transaction documents which do not constitute recourse in violation of G.L. c. 164, § 1H(c)(1), (iii) Boston Edison's continued collection of the RTC Charge pursuant to a servicing agreement (the "Servicing Agreement") authorized in paragraphs 33 *et seq.* of this Financing Order, or (iv) Boston Edison's providing any credit enhancement to such SPE as described in the testimony.
5. In accordance with G.L. c. 164, § 1H(b)(2) and paragraph 6 of this Financing Order, the RTC Charge and its imposition,

collection and payment as provided in this Financing Order shall be assessed and collected from all classes of retail users of Boston Edison's distribution system within the geographic service territory as in effect on July 1, 1997, whether or not energy is purchased from Boston Edison or any TPS, and whether or not such distribution system is being operated by Boston Edison or a successor distribution company. The RTC Charge is a usage-based component of the transition charge on each retail user's monthly bill and may in the future include a pro rata component of any exit fee collected pursuant to G.L. c. 164, § 1G(g) until the Total RRB Payment Requirements are discharged in full.

6. In accordance with G.L. c. 164, § 1H(b)(3), this Financing Order, the reimbursable transition costs amounts arising from this Financing Order, and the RTC Charge authorized shall be irrevocable, and the Department (or any successor entity) shall not have authority to revalue or revise for ratemaking purposes the reimbursable transition costs amounts, or determine that such reimbursable transition costs amounts or the RTC Charge associated therewith is unjust or unreasonable, or in any way reduce or impair the value of Transition Property either directly or indirectly by taking into account the reimbursable transition costs amounts when setting rates for Boston Edison, nor shall the amount of revenues arising with respect thereto be subject to reduction, impairment, postponement, or termination.
7. Each SPE, as owner of the Transition Property, and the holders of SPE Debt Securities and RRBs, or any trustee acting therefor, shall be entitled to the benefit of the pledge and agreement of the Commonwealth contained in G.L. c. 164, § 1H(b)(3), and each special purpose trust referred to in paragraph 23 hereof, as a financing entity under G.L. c. 164, § 1H, and as agent for the Commonwealth, is authorized to include this pledge and undertaking in any contracts with the holders of RRBs, or any trustees acting therefor.
8. In accordance with G.L. c. 164, § 1H(d)(3) and paragraph 7 of this Financing Order, the Transition Property created and established by this Financing Order shall constitute property from the effective date of this Financing Order for all purposes, including for the purpose of contracts relating to or securing SPE Debt Securities and RRBs, whether or not the revenues and proceeds arising with respect to RTC Charges have accrued at the time of this Financing Order.
9. In accordance with G.L. c. 164, § 1H(b)(6) and paragraph 7 of this Financing Order, the Transition Property created and established by this Financing Order shall constitute a current



property right of the owner thereof or its assignee or transferee, which continuously exists for all purposes with all of the rights and privileges as provided in G.L. c. 164, § 1H, from the effective date of this Financing Order until the owner or its assignee or transferee has received RTC Charges sufficient to discharge the Total RRB Payment Requirements in full. In accordance with G.L. c. 164, § 1H(b)(3), such property right may not be limited, altered, impaired or reduced or otherwise terminated by any subsequent actions of Boston Edison or any third party and shall, to the fullest extent permitted by law, be enforceable against Boston Edison, its successors and assigns, and all other third parties, including judicial lien creditors, claiming an interest therein by or through Boston Edison or its successors or assigns.

10. Pursuant to G.L. c. 164, § 1H(e), upon the effective date of this Financing Order there shall exist a statutory first priority lien on all Transition Property then existing or thereafter arising pursuant to the terms of this Financing Order. Such lien shall secure all obligations, then existing or subsequently arising, to the holders of RRBs, the trustee or representative for such holders, each SPE and special purpose trust and shall arise by operation of law automatically without any action on the part of Boston Edison or any other person. Such lien shall be valid, perfected, and enforceable upon the effectiveness of the Financing Order without any further public notice. Boston Edison does expect to file a financing statement with respect to the Transition Property which will constitute a protective filing pursuant to G.L. c. 164, § 1H(e). If the Transition Property subject to this Financing Order is transferred and sold to more than one SPE, any collections in respect of the undivided beneficial interests in RTC Charges related to such Transition Property will be allocated pro rata among such undivided beneficial interests to give effect to the pari passu first priority statutory liens on each SPE's portion of the Transition Property subject to this Financing Order.

#### **SPE Debt Securities and RRBs**

1. Each SPE is authorized to issue SPE Debt Securities and to pledge (i) all of its interest in Transition Property, and (ii) any other contract rights, other assets or collateral of the SPE (the "Other SPE Collateral") which shall include without limitation, the rights of each SPE under the RRB Transaction documents including the purchase agreement by which each SPE acquires the Transition Property, and the Servicing Agreement by which Boston Edison or any successor Servicer,

acts as Servicer of the Transition Property, the collection account and any other account of such SPE contained in such SPE's collection account including the overcollateralization account and the reserve account, any investment earnings on amounts (other than earnings on the initial capital provided by Boston Edison, which earnings are to be returned as a distribution of capital by such SPE to Boston Edison) held by such SPE, and the capital of such SPE, to secure RRBs or SPE Debt Securities that are not themselves RRBs, but substantially are mirrored by the financial terms and conditions of the RRBs issued in connection with such pledge.

2. Each SPE and one or more special purpose trusts authorized and created by the Agencies are each determined to be a financing entity for the purposes of G.L. c. 164, § 1H, and each special purpose trust is authorized to issue RRBs evidencing undivided beneficial interests in SPE Debt Securities, the expected and final legal maturity of the RRBs are expected to be 11 and 13 years, respectively (or longer, if required) in accordance with G.L. c. 164, § 1H(b)(4)(vi), the principal of the RRBs will be paid in substantially equal annual amounts. The effective all-in-cost of the RRBs, as described in the testimony, will not exceed the Carrying Charge of 10.88% (as defined in the Settlement Agreement).
3. The final terms and conditions of SPE Debt Securities and RRBs authorized by this Financing Order, including, without limiting the foregoing, the schedule of principal amortization, credit enhancement, frequency of principal or interest payments, the interest rates on SPE Debt Securities and RRBs and manner of setting such interest rates (fixed or variable), the manner of sale of the RRBs, the number and determination of credit ratings, the approval of final transaction documents and certain transaction costs as set forth in the testimony, shall, to the extent consistent with the provisions of this Financing Order, be determined by Boston Edison and approved by the Agencies on behalf of the special purpose trust at the time RRBs are priced and after input from the rating agencies, tax authorities and the underwriters.
4. The amount of SPE Debt Securities and RRBs to be issued shall be determined as described in Boston Edison's testimony; and the net proceeds of SPE Debt Securities or RRBs shall be used to pay for mitigated transition costs, in accordance with G.L. c. 164, § 1H(b)(4)(iv).
5. A special purpose trust shall remit the proceeds from the issuance of the RRBs authorized by this Financing Order, less underwriters' discount and original issue discount, to an SPE, which shall, in turn, remit such net proceeds, less certain

transaction costs of issuing SPE Debt Securities and RRBs to Boston Edison.

6. Boston Edison may apply the net proceeds of RRBs as described in the testimony (and as set forth in paragraphs 60 *et seq.* of this Financing Order).
7. The amounts necessary for credit enhancement for SPE Debt Securities and RRBs and any subsequent adjustments thereto should be determined as described in Boston Edison's testimony, subject to the requirements of rating agencies and tax authorities and approval by the Agencies on behalf of the special purpose trust.
8. The net savings and lower transition charges resulting from the RRB Transaction should be calculated in accordance with the methodology set forth in Boston Edison's testimony and such savings will inure to the benefit of ratepayers, directly or indirectly as described in the testimony.
9. In accordance with G.L. c. 164, § 1H(c)(1), RRBs and SPE Debt Securities shall be non-recourse to Boston Edison and its assets, other than the Transition Property sold to the SPE and Other SPE Collateral subject to this Financing Order, provided nothing herein shall prevent Boston Edison or its successors or assigns from (a) entering into the Servicing Agreement authorized pursuant to G.L. c. 164, § 1H(c)(3) and paragraphs 33 and 62 of this Financing Order, which arrangements may include the making of representations, warranties and agreements and the providing of covenants and indemnities, not amounting to recourse, for the benefit of the holders of RRBs and SPE Debt Securities, and the making of remittances of amounts representing deemed collections of RTC Charges, (b) entering into agreements in connection with the sale and transfer of the Transition Property to an SPE and sale of the SPE Debt Securities, which agreements may include representations and warranties with respect to, among other things, the validity of the Transition Property and the title thereto, and providing specific covenants, indemnities and repurchase obligations, not amounting to recourse, in connection with such transfer for the benefit of the holders of RRBs and SPE Debt Securities, (c) entering into an administration agreement (the "Administration Agreement") with each SPE as further described in the testimony and authorized in paragraph 62 of this Financing Order and (d) capitalizing each SPE as described in paragraph 11 of this Financing Order.

### Reports

1. Upon the issuance of RRBs and SPE Debt Securities, Boston Edison shall file with the Department, for informational purposes, an issuance advice letter, substantially in the form of Appendix A hereto (the "Issuance Advice Letter"), setting forth the final structural details of RRBs and SPE Debt Securities, including the repayment terms (in accordance with the expected amortization schedule), the initial RTC Charge, the amount necessary for credit enhancement, the identification of each SPE and a special purpose trust, the transaction costs of issuance and a calculation confirming net savings to ratepayers as a result of the RRB Transaction. Such filing shall not be a condition to the effectiveness of this Financing Order or the issuance of RRBs or SPE Debt Securities and shall be automatically effective upon filing.
1. Within 90 days following the closing of the RRB Transaction, and within 60 days of the end of each fiscal quarter thereafter until the proceeds have been applied in full, Boston Edison shall file with the Department a report showing the use of RRB proceeds in compliance with paragraphs 60 *et seq.* of this Financing Order. Such filing shall not be a condition to the effectiveness of this Financing Order or the issuance of RRBs or SPE Debt Securities.

**Servicing of SPE Debt Securities and RRBs**

1. Boston Edison, as Servicer, or any successor Servicer is required, in accordance with G.L. c. 164, § 1H(c)(3), to enter into a servicing agreement (the "Servicing Agreement") with an SPE pursuant to which it agrees to continue to operate its distribution system to provide service to its customers, to bill and collect RTC Charges for the benefit and account of such SPE or its assigns, and to account for and remit these amounts to or for the account of such SPE or its assigns. These components of the Servicing Agreement as further described in the testimony are authorized and approved.
2. Given Boston Edison's current accounting and billing information systems capabilities, Boston Edison's establishment of the deemed collection date, based on its historical collections experience, and its remittance and reconciliation procedure as more fully described in the testimony is in compliance with the provisions of G.L. c. 164, §§ 1H(b)(1), (8).
3. In the event of a default by a Servicer in remittance of RTC Charges, the Department will, in accordance with G.L. c. 164, §§ 1H(d)(5) and (e), upon application by (i) the holders of SPE

Debt Securities or RRBs, or the trustees or representatives therefore as beneficiaries of any statutory lien provided by G.L. c. 164, § 1H(e), (ii) an SPE or its assignees, (iii) a special purpose trust, or (iv) other pledgees or transferees of the Transition Property and Other SPE Collateral, order the sequestration and payment to or for the benefit of the pledgees or transferees of the revenues arising with respect to the Transition Property.

4. In the event of a default by a Servicer under any Servicing Agreement with respect to RRBs, each special purpose trust or the trustees or representatives of the holders of SPE Debt Securities or RRBs, may immediately appoint a successor Servicer for the Transition Property, subject to the approval of the Department, who shall promptly assume billing responsibilities for RTC Charges. The Department shall act on an expedited basis within 30 days to approve such successor Servicer. Such successor Servicer shall assume all rights and obligations under G.L. c. 164, § 1H and this Financing Order as though it were the Servicer at the time such SPE Debt Securities and RRBs were issued.
5. In accordance with G.L. c. 164, § 1H(b)(1), amounts collected from a customer of Boston Edison shall be allocated first, pro rata based on the relative size of applicable RTC Charges, to the RTC Charges and other portions of the transition charge subject to other subsequent financing orders, and second, to any remaining portion of the transition charge not the subject of a financing order, provided, however, as set forth in G.L. c. 164, § 1H(f)(1), such preferred right to revenues of Boston Edison shall not impair or negate the characterization of the transfer of the Transition Property as a legal true sale as set forth in paragraph 15 of this Financing Order. The Department approves Boston Edison's remittance procedure, with estimated charge-offs relating to RTC Charges and reconciliation of remittances, as more fully described in the testimony and finds that such remittance procedure based on Boston Edison's accounting and billing information systems capabilities is in compliance with G.L. c. 164, § 1H(b)(1).
6. The Department will not approve or require any Servicer to replace Boston Edison as Servicer in any of its servicing functions with respect to the RTC Charges and the Transition Property authorized by this Financing Order without determining that approving or requiring such successor Servicer will not cause the then current credit ratings on RRBs to be withdrawn or downgraded.
7. Any TPS that proposes to collect RTC Charges shall (i) meet the creditworthiness criteria to be established by the

Department, and at a minimum, the criteria set forth and approved in paragraph 40 of this Financing Order; and (ii) comply with the billing, collection and remittance procedures and information access requirements set forth in the testimony, or such other procedures as the rating agencies may require.

8. The Department will not authorize a TPS to bill and collect the RTC Charge for remittance to Boston Edison as Servicer (or any successor Servicer), unless (i) such TPS agrees to remit the full amount of RTC Charges it bills to retail end-users, regardless of whether payments are received from such end-users, within 15 days of Boston Edison's (or any successor Servicer's) bill for such charges, (ii) such TPS shall provide Boston Edison (or any successor Servicer) with total monthly kWh usage information in a timely manner for the Servicer to fulfill its obligations, as such information is the basis of such remittance and (iii) Boston Edison (or any successor Servicer) will be entitled, within seven days after a default by the TPS in remitting any RTC Charges billed, to assume responsibility for billing all charges for services provided by Boston Edison (or any successor Servicer), including the RTC Charges, or to switch responsibility to a third party. In addition, if and so long as such TPS does not maintain at least a 'BBB' (or the equivalent) long term unsecured credit rating from Moody's Investors Service or Standard & Poor's Rating Services, such TPS shall maintain, with the Servicer or as directed by the Servicer, a cash deposit or comparable security equal to one months' maximum estimated collections of RTC Charges, as agreed upon by Boston Edison (or any successor Servicer) and the TPS. In the event of a default in the remittance of RTC charges by a TPS, such amount will be included in the periodic adjustment of the RTC Charge as described in the testimony.
9. Regardless of who is responsible for billing of the transition charge, such transition charge, a component of which will be the RTC Charge, will be assessed and collected from all classes of retail users of Boston Edison's distribution system within the geographic service territory as in effect on July 1, 1997 whether or not energy is purchased from Boston Edison or any TPS, and whether or not such distribution system is being operated by Boston Edison or a successor distribution company. Such users will continue to be responsible for payment of the transition charge, a component of which will be the RTC Charge, billed, but not yet remitted, to the Servicer to the extent such user has not paid RTC Charges billed to it.
10. In the event of a failure of any retail user to pay the RTC Charge, the Servicer is authorized to shut-off power of such retail user in accordance with G.L. c. 164, §§ 116, 124-124I and

applicable regulations, at the direction of Boston Edison or any successor Servicer.

11. The Servicer is authorized to implement the rate collection methods described in the testimony to ensure that the RTC Charge is nonbypassable pursuant to G.L. c. 164, § 1H(b)(2).
12. The Servicer shall be entitled to a servicing fee (the "Servicing Fee"). The Department approves the Servicing Fee as follows: A Servicer which bills the RTC Charge concurrently with other service charges is entitled to receive an annual Servicing Fee, payable semi-annually or more frequently, of approximately 0.05% of the initial principal balance of RRBs and a Servicer that does not concurrently bill the RTC Charge with other service charges is entitled to receive a higher Servicing Fee of up to approximately 1.25% of such initial principal balance.
13. Boston Edison, as initial Servicer, may not voluntarily resign its duties as Servicer without prior written approval of the Department. Boston Edison shall remain as Servicer if such resignation will result in the reduction or withdrawal of the credit rating of the RRBs.

**The RTC Charge: Establishment and Adjustment**

1. The methodology used to calculate the RTC Charge associated with SPE Debt Securities and RRBs, and to periodically adjust such RTC Charge, was described in the testimony, which methodology is approved.
2. The RTC Charge, which will constitute Transition Property, will be filed initially with the Department in the Issuance Advice Letter and adjusted up or down, as necessary, in Routine True-Up Letters or Non-Routine True-Up Letters (each, as defined below). While not separately identified on each retail user's monthly bill, each monthly bill will indicate in a footnote that the reimbursable transition cost ("RTC") Charge, as a component of the transition charge, is being collected on behalf of a special purpose entity ("SPE"), as owner of the Transition Property.
3. The initial RTC Charge shall be filed in the Issuance Advice Letter, as provided in paragraph 31 of this Financing Order, which RTC Charge shall be effective upon filing.
4. In accordance with G.L. c. 164, § 1H(b)(5), Boston Edison, or a successor Servicer, on behalf of the pledgees or transferees of the Transition Property, is authorized to file periodic RTC Charge adjustments to the extent necessary to ensure the timely recovery of revenues sufficient to provide for the payment of an amount equal to the sum of the Periodic RRB

Payment Requirements for the upcoming year, which may include indemnity obligations of the SPE in the RRB transaction documents for SPE officers and directors, trustee fees, liabilities of the special purpose trust and liabilities to the underwriters related to the underwriting of the RRBs. The Transition Property includes the right to obtain such adjustments.

5. Periodic RTC true-up advice letters ("Routine True-Up Letters"), shall be filed in substantially the form attached to this Financing Order as Appendix B and shall be completed in accordance with the methodology described in the testimony, which methodology is approved.
6. Annual RTC Charge adjustments shall be filed with the Department in Routine True-Up Letters. Adjustments to the RTC Charge proposed by Routine True-Up Letters shall be filed with the Department each year prior to the anniversary of the date of effectiveness of this Financing Order, and resulting adjustments to the RTC Charge shall become effective the first day of the succeeding month, or such date as may be specified in the Routine True-Up Letter, as long as such effective date is at least 15 days after the filing of such Routine True-Up Letter.
7. Routine True-Up Letters may also be filed more frequently before the end of any calendar quarter or payment date (as defined in the RRB Transaction documents) and the resulting adjustments to RTC Charges will be effective the first day of the succeeding month, or such date as may be specified in the Routine True-Up Letter, as long as such effective date is at least 15 days after the filing of such Routine True-Up Letter.
8. So long as Routine True-Up Letters are filed in accordance with the adjustment calculation methodology approved in this Financing Order and use the Routine True-Up Letters attached substantially in the form of Appendix B to this Financing Order, no hearing or other action by the Department regarding such Routine True-Up Letter filings shall be required, and the resulting RTC Charge adjustments will be effective as provided herein and in such filings.
9. In the event that Boston Edison determines that the methodology used to calculate the RTC Charge described in the testimony requires adjustment to more accurately project and generate adequate RTC Charge revenues, a non-routine RTC true-up advice letter ("Non-Routine True-Up Letter") may be filed. Any Non-Routine RTC True-Up Letter and resulting adjustments to RTC Charges shall be effective within 60 days of such filing. Non-Routine True-Up Letters are subject to the review and approval of the Department.



10. In no event shall the transition charge from time to time in effect as approved by the Department in accordance with the Settlement Agreement's methodology and as may be revised by this Financing Order, the Pilgrim Order, or in an order arising from a Separate Proceeding be adjusted below the RTC. If adjustments to the transition charge to meet the required rate reduction would cause the transition charge to fall below the RTC charge, the Department shall adjust other components of the Company's rates. Conversely, if the RTC charge, as adjusted, would exceed the then current transition charge, the Department also shall adjust other components of the Company's rates.

**Advice Filings for Tariff Language**

1. Boston Edison is authorized to establish by the Issuance Advice Letter filing the initial RTC Charge and by the true-up letter filings, subsequent adjustments, up or down, to the RTC Charge. The RTC Charge will represent a component of the transition charge.

**Reconciliation of the RTC Charge**

1. As required by G.L. c. 164, § 1G(a)(2), Boston Edison shall permit the Department, at Boston Edison's expense, to audit, review and reconcile the difference, if any, between assumed reimbursable transition costs amounts, with the actual reimbursable transition costs amounts not less often than once during each 18 month period following the effective date of this Financing Order. Such audit, review and reconciliation shall not include the actual amounts approved in the findings of this Financing Order and known at the time of pricing of the RRBs and filing of the Issuance Advice Letter. Through the Settlement Agreement, the subsequent filings pursuant thereto, the Pilgrim Order or a Separate Proceeding, the Department has established and authorized as actual and fully mitigated for purposes of G.L. c. 164, § 1G(a)(2), the amounts of the Pilgrim and fossil unrecovered plant balances, generation related regulatory assets balances, Pilgrim decommissioning funding and any additional costs arising in connection with the Pilgrim divestiture or approved pursuant to a Separate Proceeding. In this Financing Order, the Department has established and authorized as actual for purposes of G.L. c. 164, § 1G(a)(2), the transaction costs of issuance (other than the costs of reducing capitalization), ongoing transaction costs (other than legal and accounting fees and other miscellaneous

fees) and any credit enhancement (collectively with the above transition costs, the "actual reimbursable transition costs amounts"). No audit of Boston Edison pursuant to G.L. c. 164, § 1G(a)(2) is necessary with respect to such actual reimbursable transition costs amounts and the Department shall not conduct or require any audit of such amounts.

2. To the extent that an audit under G.L. c. 164, § 1G(a)(2) is required subject to paragraph 57 of this Financing Order, if the amount of reimbursable transition costs amounts, other than actual reimbursable transition costs amounts (as defined in paragraph 57 of this Financing Order), exceeds the actual amount of such reimbursable transition costs amounts as shown by the audit, then Boston Edison, upon order of the Department, shall provide ratepayers with a uniform rate credit through the mechanism of its residual value credit and annual transition charge update as described in the Settlement Agreement.
3. No such uniform rate credit shall in any way diminish or affect the right of Boston Edison or its assignee or pledgee to collect RTC Charges in amounts necessary to provide for the payment of an amount equal to the sum of the Periodic RRB Payment Requirements for the upcoming year as the same become due, nor shall any such rate credit impair or negate the characterization of the transfer of the Transition Property as a true sale as set forth in paragraph 15 of this Financing Order nor shall any such rate credit reduce or impair the value of the Transition Property as proscribed by paragraph 17 of this Financing Order.

#### **Use of RRB Proceeds**

1. Boston Edison expects to use such proceeds, net of transaction costs described in paragraph 3 of this Financing Order, for the following purposes: (a) to return the securitized portion of the Pilgrim and fossil unrecovered plant balances and related regulatory assets; (b) to fund the unrecovered prefunded balance of the securitized portion of the decommissioning fund and recover other transition costs arising in connection with the Pilgrim divestiture or approved pursuant to a Separate Proceeding; and (c) to provide any credit enhancement required for the RRBs. Boston Edison may also apply such proceeds to the reduction of its capitalization and for general corporate purposes.
2. Boston Edison's use of the net RRB proceeds is authorized and approved. Boston Edison has proved to the Department's satisfaction that it has established an order of preference such

that the transition costs having the greatest impact on customer rates will be the first to be provided, recovered, financed or refinanced by the RRB Transaction in accordance with G.L. c. 164, § 1G(d)(4)(v).

**Approval of Servicing Agreement, Administration Agreement and Other Agreements or Transactions**

1. Boston Edison's entering into the Servicing Agreement, the Administration Agreement and other RRB Transaction documents with one or more SPEs as described herein and other transaction documents and other dealings between Boston Edison and each SPE contemplated by the RRB Transaction are authorized pursuant to G.L. c. 164, §§ 17A and 76A and in accordance with all applicable Massachusetts law, rules and regulations. Such Agreements and RRB Transaction documents shall comply with this Financing Order and shall not impair or negate the characterization of the sale, assignment or pledge as an absolute transfer, a true sale, or security interest as applicable.

**Accounting for Certain Benefits**

1. Any amounts accounted for in the reserve account, which represents collections in excess of the fully funded credit enhancement reserves, at the time that Boston Edison calculates a periodic RTC Charge adjustment will be incorporated in such adjustment, in accordance with G.L. c. 164, § 1H(b)(7). Boston Edison, as initial Servicer (or any successor Servicer) intends, through a separate non-cash memorandum account, to account for, and ultimately credit to ratepayers, any amounts remaining in the collection account after the RRBs are paid in full, such as any overcollateralization amounts, including interest earnings thereon, or RTC Charge collections that remain after the Total RRB Payment Requirements have been discharged. Such amounts will be released to the SPE in accordance with G.L. c. 164, § 1H(b)(7), upon retirement of the RRBs and discharge of the Total RRB Payment Requirements. These benefits will inure to the benefit of ratepayers through a credit to their transition charge or if there is no transition charge, through a credit to other rates.
2. The Department confirms that as provided in the Settlement Agreement, Boston Edison's transition charge shall not exceed 3.51 cents/kWh in 1998 or 3.35 cents/kWh thereafter and that this cap is not subject to reduction.

3. Synthetic floating rate RRBs (RRBs representing an interest in fixed rate SPE Debt Securities and the floating rate side of a swap transaction) will not be issued unless such issuance, as determined by the Company and approved by the Agencies, on behalf of the special purpose trust will result in a lower net interest cost on the RRBs.
4. The Department grants an exemption from the competitive bidding requirements of G.L. c. 164, § 15 in connection with the sale of RRBs.
5. The Department grants an exemption from the par value debt issuance requirements of G.L. c. 164, § 15.
6. This order hereby incorporates those findings and determinations that transition costs are securitizable as defined in G.L. c. 164, as reached by the Department in an order, including D.T.E. 98-119 and 99-16, that becomes final and no longer subject to appeal prior to the filing with the SEC of the preliminary prospectus to be distributed to prospective investors.

## **Appendix A**

### **ISSUANCE ADVICE LETTER**

[date]

**ADVICE\_\_\_\_\_**

**DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY (THE  
"DEPARTMENT") OF THE COMMONWEALTH OF MASSACHUSETTS**

**SUBJECT: Issuance Advice Letter for Electric Rate Reduction Bonds ("RRBs")**

Pursuant to D.T.E. Docket No. 98-118 (the "Financing Order"), Boston Edison Company ("Boston Edison") hereby transmits for filing, on the pricing date of this series of RRBs, the initial RTC Charge for such series. This Issuance Advice Letter is for the RRB series \_\_\_\_\_ class(es)\_\_\_\_\_. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order.

**PURPOSE**

This filing establishes the following:

- (a) the actual terms of the RRBs being issued;
- (b) confirmation of ratepayer savings;
- (c) the initial RTC Charge for retail users;
- (d) the identification of the Transition Property to be sold to a special purpose entity (the "SPE"); and
- (e) the identification of the SPE;

**BACKGROUND**

In the Financing Order, the Department authorized Boston Edison to file an Issuance Advice Letter when pricing terms for a series of RRBs have been established. This Issuance Advice Letter filing incorporates the methodology for determining the RTC Charge approved and authorized by the Department in the Financing Order to establish the initial RTC Charge for a series of RRBs and establishes the initial RTC Charge to be assessed and collected from all classes of retail users of Boston Edison's distribution system within the geographic service territory as in effect on July 1, 1997, whether or not energy is purchased from Boston Edison or any TPS, and whether or not such distribution system is being operated by Boston Edison or a successor distribution company. The RTC Charge is a usage-based component of the transition charge on each retail user's monthly bill, and may include in the future a component of any exit fee collected pursuant to G.L. c. 164, § 1G(g) until the Total RRB Payment Requirements are discharged in full.

**ACTUAL TERMS OF ISSUANCE**

**RRB Name:**\_\_\_\_\_

**RRB Issuer:**\_\_\_\_\_

**Trustee(s):**\_\_\_\_\_

**Closing Date:**\_\_\_\_\_

**Bond Rating:**\_\_\_\_\_

**Amount Issued:**\_\_\_\_\_

**Transaction costs of issuance: See Attachment 1**

**Ongoing transaction costs: See Attachment 2**

**Coupon Rate(s):**\_\_\_\_\_

**Call Features:**\_\_\_\_\_

**Massachusetts Tax Exempt (yes/no):**\_\_\_\_\_

**Expected Principal Amortization Schedule: See Attachment 3**

**Expected Final Maturity:**\_\_\_\_\_

**Legal Final Maturity:**\_\_\_\_\_

**Distributions to Investors (quarterly or semi-annually):**\_\_\_\_\_

**Annual Servicing Fee as a percent of the initial RRB principal balance:**\_\_\_\_\_

**Overcollateralization amount for the RRBs:**\_\_\_\_\_

**Confirmation of Ratepayer Savings**

**The Financing Order requires Boston Edison to demonstrate, using the savings methodology approved in that Docket, that the actual terms of the RRB Transaction result in net savings. Attached to this Issuance Advice Letter is a spreadsheet calculation which shows expected net savings of \$\_\_\_ million for this series of RRBs. See Attachment 4.**

### **Initial RTC Charge**

Table I below shows the current assumptions for each of the variables used in the RTC Charge calculation.

**TABLE I  
INPUT VALUES FOR RTC CHARGES**

Forecasted annual retail kWh sales

Percent of billed amounts expected to be charged-off: \_\_\_\_\_

Weighted average days sales outstanding: \_\_\_\_\_

(calculated as follows)

Percent of billed amounts collected in current month: \_\_\_\_\_

Percent of billed amounts collected in second month after billing: \_\_\_\_\_

Percent of billed amounts collected in third month after billing: \_\_\_\_\_

Percent of billed amounts collected in fourth month after billing: \_\_\_\_\_

Percent of billed amounts collected in fifth month after billing: \_\_\_\_\_

Forecasted annual ongoing transaction expenses: \_\_\_\_\_

Required annual overcollateralization amount: \_\_\_\_\_

Current RRB outstanding balance: \_\_\_\_\_

Expected RRB outstanding balance as of \_\_\_\_/\_\_\_\_/\_\_\_\_: \_\_\_\_\_

The initial RTC Charge calculated for retail users is as follows: \_\_\_\_\_¢/kWh

### **Transition Property**

**Transition Property is the property described in G.L. c. 164, § 1H(a) relating to the RTC Charge set forth herein, including, without limitation, the right, title, and interest in and to all revenues, collections, claims, payments, money, or proceeds of or arising from or constituting (a) the reimbursable transition costs amounts established by the Financing Order including such amounts established in the Issuance Advice Letter, (b) the RTC Charge authorized by the Financing Order including the initial RTC Charge set forth in the Issuance Advice Letter, as may be adjusted from time to time in order to generate amounts sufficient to discharge the Total RRB Payment Requirements, and (c) all rights to obtain periodic adjustments and non-routine adjustments to the RTC Charge.**

**This RTC Charge, as adjusted from time to time, shall remain in place until the Total RRB Payment Requirements are discharged in full.**

### **Identification of SPE**

**The owner of the Transition Property (the "SPE") will be:**

\_\_\_\_\_.

**The SPE shall be considered a financing entity for purposes of G.L. c. 164, § 1H.**

### **EFFECTIVE DATE**



**In accordance with the Financing Order, the RTC Charge shall be automatically effective when filed and will continue to be effective, unless it is changed by subsequent Issuance Advice Letter, Routine True-Up Letter, or Non Routine True-Up Letter.**

**NOTICE**

**Copies of this filing are being furnished to the parties on the attached service list. Notice to the public is hereby given by filing and keeping this filing open for public inspection at the Company's corporate headquarters.**

**Enclosures**

**ATTACHMENT 1  
TRANSACTION COSTS OF ISSUANCE**

**Amount**

**Underwriting spread**

**Rating agency fees**

**Accounting fees**

**SEC registration fee (.0278%)**

**D.T.E. filing fee (\$750 for first million plus \$150  
for each additional million)**

**Printing and marketing expenses**

**Trustee fees and counsel**

**Company legal fees and expenses**

**Underwriters' legal fees and expenses**

**Bond counsel legal fees and expenses**

**MassDevelopment/HEFA fees**

**Original issue discount**

**Servicing set-up costs**

**SPE set-up costs**

**Miscellaneous costs**

**Expenses in connection with reducing capitalization**

**(including call provisions and prepayments) \_\_\_\_\_**

**Total transaction costs of issuance \$**

**ATTACHMENT 2  
ONGOING TRANSACTION COSTS**

**Ongoing Costs Amount**

**Administration fee**

**Rating agency fees**

**Accounting, legal and trustees' fees**

**Servicing fee (approximately .05% of initial**

principal balance)<sup>(2)</sup>

Overcollateralization amount

Miscellaneous<sup>(3)</sup>

Total estimated costs \$

### **ATTACHMENT 3**

#### **EXPECTED AMORTIZATION SCHEDULE**

**SERIES**\_\_\_\_\_, **CLASS**\_\_\_\_\_

### **ATTACHMENT 4**

#### **RATEPAYER SAVINGS**

**Appendix B**

## **ROUTINE TRUE-UP LETTER**

[date]

**ADVICE**\_\_\_\_\_

**DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY (THE  
"DEPARTMENT") OF THE COMMONWEALTH OF MASSACHUSETTS**

**SUBJECT: Periodic RTC Charge True-Up Mechanism Advice Filing**

**Pursuant to D.T.E. Docket No. 98-118 (the "Financing Order"), Boston Edison Company ("Boston Edison") as servicer of the RRBs or any successor Servicer and on behalf of the trustee as assignee of the special purpose entity (the "SPE") may apply for adjustment to the RTC Charge on each anniversary of the date of the Financing Order and at such additional intervals as may be provided for in the Financing Order. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order.**

### **PURPOSE**

**This filing establishes the revised RTC Charge to be assessed and collected from all classes of retail users of Boston Edison's distribution system within the geographic service territory as in effect on July 1, 1997, whether or not energy is purchased from Boston Edison or any TPS, and whether or not such distribution system is**

being operated by Boston Edison or a successor distribution company. The RTC Charge is a usage-based component of the transition charge on each retail user's monthly bill and may include in the future a component of any exit fee collected pursuant to G.L. c. 164, § 1G(g) until the Total RRB Payment Requirements are discharged in full. In the Financing Order, the Department authorized Boston Edison to file Routine True-Up Letters prior to each anniversary of the date of the Financing Order and at such additional intervals, if necessary, as provided for in the Financing Order. Boston Edison, or a successor Servicer, is authorized to file periodic RTC Charge adjustments to the extent necessary to ensure the timely recovery of revenues sufficient to provide for the payment of an amount equal to the sum of the Periodic RRB Payment Requirements (as defined in the Financing Order) for the upcoming year, which may include indemnity obligations of the SPE in the RRB transaction documents for SPE officers and directors, trustee fees, liabilities of the special purpose trust and liabilities to the underwriters related to the underwriting of the RRBs. Routine True-Up Letter filings are those where Boston Edison uses the methodology approved by the Department in the Financing Order to adjust upward or downward the existing RTC Charge.

Using the methodology approved by the Department in the Financing Order, this filing modifies the variables used in the RTC Charge calculation and provides the resulting modified RTC Charge. Table I shows the revised assumptions for each of the variables used in calculating the RTC Charge for retail users. The assumptions underlying the current RTC Charges were filed in an Issuance Advice Letter, dated \_\_\_\_\_.

Table I below shows the current assumptions for each of the variables used in the RTC Charge calculation.

**TABLE I**  
**INPUT VALUES FOR RTC CHARGE**

Forecasted annual retail kWh sales:\_\_\_\_\_

**Forecasted percent of retail users' billed amounts charged-off:\_\_\_\_\_**

**Percent of retail users' billed amounts charged-off:\_\_\_\_\_**

**Weighted average days sales outstanding:\_\_\_\_\_**

**( calculated as follows)**

**Percent of billed amounts collected in current month:\_\_\_\_\_**

**Percent of billed amounts collected in second month after billing:\_\_\_\_\_**

**Percent of billed amounts collected in third month after billing:\_\_\_\_\_**

**Percent of billed amounts collected in fourth month after billing:\_\_\_\_\_**

**Percent of billed amounts collected in fifth month after billing:\_\_\_\_\_**

**Annual ongoing transaction expenses:\_\_\_\_\_**

**Current RRB outstanding balance:\_\_\_\_\_**

**Expected RRB outstanding balance as of \_\_\_\_/\_\_\_\_/\_\_\_\_:\_\_\_\_\_**

**Deferred unpaid RRB principal:\_\_\_\_\_**

**Accrued but unpaid RRB interest:\_\_\_\_\_**

**Unpaid ongoing transaction costs:\_\_\_\_\_**

**Required annual overcollateralization amount:\_\_\_\_\_**

**Deficiency in capital account:\_\_\_\_\_**

**Deficiency in overcollateralization account:\_\_\_\_\_**

**Amount in reserve account:\_\_\_\_\_**

**The adjusted RTC Charge calculated for retail users is as follows: \_\_\_\_\_¢/kWh**

## **EFFECTIVE DATE**

**In accordance with the Financing Order, Routine True-Up Letters for annual RTC Charge adjustments shall be filed prior to the anniversary of the Financing Order or more frequently, if necessary, with the resulting changes to be effective no sooner than 15 days after the filing of this Routine True-Up Letter. No resolution by the Department is required. Therefore, these RTC Charges shall be effective as of \_\_\_\_\_.**

## **NOTICE**

**Copies of this filing are being furnished to the parties on the attached service list. Notice to the public is hereby given by filing and keeping this filing open for public inspection at Boston Edison's corporate headquarters.**

## **Enclosures**

**1. This provision has been satisfied by an executed property tax agreement between Boston Edison and the Town of Plymouth pursuant to G.L. c. 59, § 38H(c).**

**2. These costs will include:**

- Billing, collecting and remitting the RTC Charges;**
- Calculate daily amount of remittances to the SPE trustee;**
- Wire transfer daily remittances to the SPE trustee;**
- Prepare monthly servicer report for trustee and rating agencies;**
- Prepare semi-annual servicer report for trustee;**
- Manage and invest the various SPE cash accounts;**
- Reflect all transactions on the financial statements;**



- Perform periodic reconciliations with the trustee;
- Perform annual true-up and adjust RTC Charge, as necessary; and
- Maintain memorandum account, if any.

**3. These costs would include any contingent liabilities arising in connection with indemnity provisions in the RRB Transaction documents.**